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NEWS SUMMARY

GENERAL

Italian election setback for PCI

Early results in the Italian general election appeared to show a relatively decisive set-back for the Italian Communists (PCI), the largest Communist party in the West.

The party's decline could be between 3 and 4 per cent, thus lowering its support in the Chamber of Deputies to just over 30 per cent.

This would be the first reversal of the PCI after 30 years of almost uninterrupted electoral advances. **Back Page**

Ghana coup

Radio Accra said a rebel group led by an air force lieutenant had taken control of Ghana. There was no immediate confirmation of the report, which contradicted an earlier claim by the military Government that the coup attempt had been quashed. **Earlier story Page 4**

Envoy rejected

Iran's revolutionary Government rejected the choice of Walter Cutler as the new U.S. Ambassador in Tehran but the State Department said the U.S. would neither withdraw his name nor assign Mr. Cutler to another post.

Nicaragua push

The Sandinist guerrilla movement called a general strike in Nicaragua as its forces continued what they hope will be the final push against General Somoza's Government. **Page 6**

Attack foiled

A Palestinian speedboat heading for a raid on the Israeli coast was intercepted and blown out of the water by Israeli gunboats in the latest of a series of Palestinian sea-launched attacks on Israel which have been foiled by the navy. **Page 4**

Muzorewa raid

Zimbabwe Rhodesia attacked Mozambique "terrorist bases" with troops and aircraft in the country's first cross-border raid since Bishop Muzorewa became first black Prime Minister.

Peace message

Pope John Paul entrusted a 1,000,000-strong mass audience in Czestochowa with all the problems of societies, systems and states, which could be solved only by "peace, justice and respect for the rights of nations and men." **Page 3**

Seveso payout

Hoffman La Roche, the Swiss pharmaceutical company, said it had paid out about $11.6m in damages to people affected by the escape of toxic gas from one of its plants in Seveso, Italy, in 1976. **Profits forecast, Page**

Pamplona riot

Riot police charged demonstrators who threw up barricades in Pamplona, Spain, in protest against the killing of a young woman during an anti-nuclear demonstration on Sunday. Businesses, factories and public services closed in protest.

Briefly . . .

A Roman cage cup sold for £... at Sotheby's, easily beating the previous record (£75,000) for an item of glass. **Page 8**

Government is expected to announce big pay rises today for doctors, dentists, judges, senior military officers and civil servants.

Graves of more than 80 ex-servicemen in Belfast City Cemetery were desecrated by vandals with sledge hammers.

Three victims of a pub shooting in Rotherhithe, south-east London, were recovering in hospital.

Dutch millionaire Pieter Menten, who collapsed when told of his impending rearrest on war crimes charges, has regained consciousness.

BUSINESS

Coffee and Lead prices rise

● **EQUITIES** lost ground and the FT ordinary index, which had lost 7.5 by 11 am, closed 2.6 down at 518.9.

● **GILTS** saw some pressure on short-dated stocks, but elsewhere trading was light and the Government Securities index closed 0.02 up at 72.93.

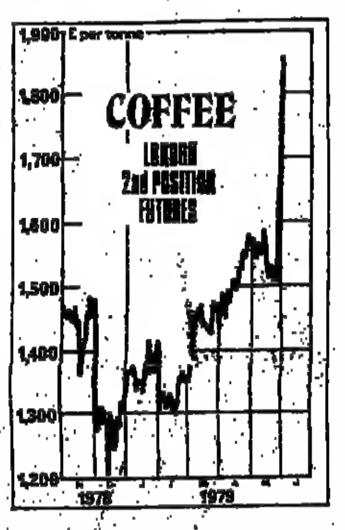
● **STERLING** rose 33 points to $2.0778 and its trade-weighted index rose to 67.7 (67.6). The dollar was slightly weaker overall and its index closed at 86.9 (87.0). The Canadian dollar fell sharply on news of a substantial decline in Canada's official reserves.

● **GOLD** fell $1/4 to $275 1/4 in London.

● **LEAD** prices rose on reports of strong demand and cash lead rose £19.0 at £656. **Page 31**

● **WALL STREET** was 1.04 up at 822.25 just before the close.

● **COFFEE** prices rose to their highest levels this year on the London market, with September delivery up £109.5 to £1,858 a tonne, following reports of extensive frost damage in Brazil. **Page 31 and Back Page**



● **MANY** Western commercial banks appear reluctant to provide alternative financing for Egypt, subject to an economic and political boycott by the Arab world, for fear of possible retaliation by Arab oil exporting countries. **Back Page**

● **NORTH BERYL** oil field in the North Sea may be developed by three U.S. oil companies and British Gas, if plans by Mobil, Texas Eastern and Amerada Hess are approved by the Department of Energy next month. **Page 8**

● **AURORA** Holdings, the Sheffield specialist engineering group, has made a revised £13.8m bid for Edgar Allen Balfour. **Back Page and Lex**

● **A SCRAP-AND-BUILD** plan to stimulate the EEC's troubled shipbuilding and shipping industries will be discussed in Brussels this week. In the UK, the Government has decided to extend the time limit and increase payments available to redundant shipyard workers in line with earlier Labour plans. **Page 10**

● **TGWU** delegates have rejected a final pay offer made by building trades employers to 700,000 workers. **Page 10**

● **TEXAS INSTRUMENTS**, the $3bn U.S. electronics group, has announced plans to enter the home computer market. **Page 9**

● **SINCLAIR RADIONICS**, in which the NEB has a majority share, is now in the closing stages of negotiations on the future of its Microvision pocket television production. **Page 9**

COMPANIES

● **PRITCHARD** Services Group reports pre-tax profits up 18 per cent in 1978 at £2.57m (£2.18m) on turnover 17.6 per cent ahead at £53.38m (£45.39m). **Page 20**

● **MARTIN** the Newsagent pre-tax profits for the 26 weeks to April 1 rose 20 per cent to £2.27m from £1.89m, helped by a good first quarter. **Page 20**

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Alexanders Discount	258	+ 8
Allen (E.) Balfour	68	+ 5
Baker Perkins	158	+ 8
Brown Jackson	205xc	+ 19
Carrington Invs.	130	+ 15
Central Mnfg.	74	+ 4
De La Rue	477	+ 7
Francis Parker	25 1/2	+ 1 1/2
Hunting Gibson	230	+ 15
Jacksons Brne. End	180	+ 18
Mullinson-Denny	88	+ 2 1/2
Mean Agcy. Music	185xd	+ 10
Martin the Nwsgnt	270	+ 6
Moore O'Ferrall	133	+ 8
Perry (H.)	166	+ 7
Sound Diffusion	133	+ 9
Sunley (B.)	368	+ 18
Thermal Syndicate	150	+ 4
Wettern Bros.	132	+ 4
BP	1168	+ 24
Ultramar	294	+ 8
West Driefontein	£27 3/4	+ 3/4

FALLS		
Excheq. 10pc '83	£95 1/4	− 1/16
Brown (J.)	519	− 8
Dykes (J.)	37 1/2	− 6 1/2
Grand Met.	151	− 4
Stylo Shoes	135	− 16
Charter Cons.	156	− 6
Cons. Gold	252	− 9
Western Deep	899	− 55

Vorster quits after new report accuses him of cover-up

BY QUENTIN PEEL IN JOHANNESBURG

Mr. John Vorster, the South African President and former Prime Minister, resigned yesterday after he was named jointly responsible for massive mis-spending in his former Information Department.

He was accused by a commission of inquiry into the secret propaganda projects run by the former department, of giving false evidence, and of covering up the existence of gross irregularities in its spending, including the secret financing of a pro-Government newspaper.

His decision to resign, after a career in which he was regarded as a symbol of Afrikaaner nationalism, was announced by Mr. P. W. Botha, the Prime Minister, when he tabled the report of the commission headed by Judge Rudolph Erasmus in Parliament. Senator Marais Viljoen, the leader of the Senate, will be acting president until a new president is elected.

The resignation caused consternation in South Africa, in spite of the growing evidence in recent months of Mr. Vorster's implication in the information scandal, because he was regarded as a figure beyond criticism.

It coincided with further revelations of widespread mis-spending, theft and fraud in the former Information Department. In its third and final report, the Erasmus Commission identified millions of dollars which had apparently been lost by the department in its secret projects.

The commission said that Dr. Connie Mulder, the former Informaion Minister, who resigned in December, and Dr. Eschel Rhoodie, the former Inforamiton Secretary who was retired prematurely last July, should be sued for the return of State money. It identified four major examples of mis-spending:

● $37.8m (£18.3m) financing of the pro-Government newspaper The Citizen.

● The loan of $10m to Mr. John McGoff, a U.S. publisher, to buy the Washington Star newspaper.

● The subsequent use of that money to buy the Sacramento Union newspaper in California when the purchase of the Star fell through.

● The provision of $1.35m to Mr. CcGoff to finance his purchase of a 50 per cent holding in UPITN, the international television news agency.

The commission said that $6.35m had apparently been written off in the U.S. deals.

The Commission also found evidence of widespread theft and fraud in the operation of some R64m (£38m) in secret funds spent by the Information Department. It recommends that the actions of Dr. Rhoodie, and his brothers, Deneys and Nic, as well as a South African publisher and businessman, Mr. Jan van Zyl Alberts, should be investigated with a view to criminal charges.

Mr. Vorster is simply blamed for his joint responsibility for the irregularities, and for concealing them when they were brought to his attention. While the commission finds that "his integrity is unblemished," it rejects his evidence that he was not fully aware of the laundering of money used to finance the projects.

The demise of Mr. Vorster is all the more remarkable because of his previously high reputation. The man considered most likely to succeed Mr. Vorster as President is Mr. Louwrens Muller, the present Transport Minister and the most senior member of the Cabinet after Mr. Botha.

In spite of the Erasmus Report, there is no immediate threat to the stability of Mr. Botha's Government.

Details of report, Page 4 ● How Muldergate caught up with Mr. Vorster, Page 18

British Steel to increase prices from July 1

BY ROY HODSON

BRITISH INDUSTRY faces an extra £100m on its annual steel bill during the next full year after the British Steel Corporation raises its prices from July 1.

Prices of flat products and heavy sections are being increased by between 5 per cent and 15 per cent on average, while surcharges are being introduced on alloy and stainless steels to cover the recent big rises in the world market prices of the additive metals molybdenum and nickel.

Further home market price increases are likely shortly in a number of small sectors such as steel strip. Increases in tubes prices will almost certainly follow.

The corporation has not risked full increases on the scale it needs because of the continuing weak market for steel products. British Steel's costs have risen by some £200m a year since the last general steel price increases in mid-1978. The new increases will recover only half of that.

The corporation's target in the next 12 months is to cover the remaining £100m by a combination of good housekeeping and inceasing poduction at its newer and more efficient steel plants.

Mr Gordon Sambrook, commercial director and a member of the corporation board, said last night that the price rises had been dictated by: a 50 per cent increase in steel scrap prices. 10 per cent increases in coal and iron ore prices. an unquantifiable but substantial rise in oil prices and a pay settlement of 8 per cent plus fringe benefits.

He added: "We have made a very substantial effort to carry the costs we have to bear for as long as possible. But I am afraid now we just can't go on any longer seeking to cover these rising costs by improving our internal efficiency without a price adjustment."

British Steel's home sales are running in the region of £2bn a year and the price increases will affect about 25 per cent of that business.

Home demand for steel is brisker now than it has been for two years. But whether that is due to underlying growth or because of special circumstances such as the winter transport strike and industry's need to replenish stocks is a matter of argument among the steel industry's forecasters.

News Analysis, Page 10

Airways raises Debenture bid

BY CHRISTINE MOIR

THE AIRWAYS Pension Scheme, the British Airways pension fund, has increased its offer for Debenture Corporation in a move which is claimed as a boost for the whole investment trust movement.

The increase itself is small—£1.28m on the original £40m offer—but it now includes a "floor price" and a premium on an amended net asset value instead of the original flat offer of net asset value.

Mr. Patrick Spens, a director of Morgan Grenfell which is advising Debenture Corporation, claimed last night that the new formula will create a precedent for future bids for investment trusts. He said applying the formula would add £200m or so to the value of the £6bn investment trust movement.

In line with previous bids for investment trusts, Airways had offered to pay the equivalent of the net asset value of the portfolio—a figure which fluctuates in tune with the market. Now there is to be a fixed "floor price" of 100p irrespective of market declines.

In addition the net asset value is to be reformulated so that the estimated £488,000 breakup costs—redundancies and professional fees—will not be borne by Debenture's shareholders.

This increased value will also attract an offer equivalent to 102 per cent if the market turns upwards above the floor price.

On the original formula Airways would yesterday have been committed to an offer of 98p per share. Under the new offer the cost element is worth an extra 1.2p and the 2 per cent premium a further 2p approximately.

The agreed increase came after a day-long discussion between the two parties and their advisers after it was learnt that Airways had secured acceptances of 54 per cent of the shares when its first offer closed on Friday.

Some 90 per cent of the pension fund shareholders and 70 per cent of the institutional holders overall had accepted the first offer. The resistance came from individual shareholders who, unlike the gross funds, have a capital gains tax liability when they sell their shares.

Their resistance was applauded yesterday by Lord Remnant, chairman of the Association of Investment Trust Corporations. He said that he was delighted to see that their determination to hold out for a more realistic price had been rewarded.

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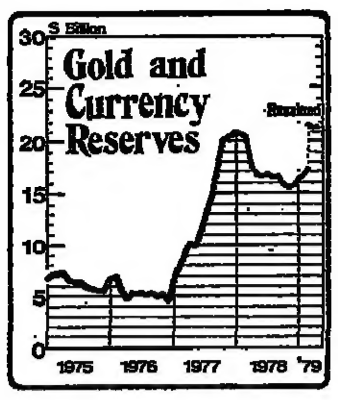

Reserves up $65m in May

BY DAVID FREUD

BRITAIN'S GOLD and currency reserves rose by $65m (£31m) in May, said figures released by the Treasury yesterday.

After allowing for net repayments of borrowings, the underlying increase was $303m. The reserves stand at $21.53bn.

The inflow of foreign currency in May compares with a figure of $675m in April and £1.02bn in March. This is the sixth successive month in which the underlying position has shown an increase.

The figures made little impact on sterling in the foreign exchanges. It moved up slightly, mainly on commercial trading, from 67.6 to 67.7 on the trade weighted index, which measures the value of the pound against a basket of other currencies.

Against the U.S. dollar the pound rose 33 points to $2.0778.

Repayments in May were $316m, while new loans taken out totalled $78m.

Debt repayments included $200m to Iran by the National Water Council, the first part of an $800m loan which falls due over the next two years. The Post Office repaid $100m to the U.S.

New loans consisted of $55m from the European Investment Bank by the Northern Ireland Bank and $23m raised by British Gas on the New York market.

Part of the underlying $303m increase in the reserves may have been due to modest intervention by the Bank of England in the election period to check the increase in the exchange rate.

● Trade and balance-of-payments figures, delayed due to industrial action at the UK Customs centre, will be pub-

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£ in New York

—	June 1	Previous
Spot	$2.0775-0785	$2.0675-0685
1 month	0.27-0.22 dis	0.25-0.20 dis
3 months	0.70-0.60 dis	0.65-0.60 dis
12 months	2.10-2.00 dis	2.10-2.00 dis

British Rail cuts services to save fuel

BY KEVIN DONE AND IAN HARGREAVES

BRITISH RAIL is to cut its diesel train passenger services by 7 per cent from next week because of cuts in fuel supplies. This will lead to an overall cut of 5 per cent in passenger services.

The announcement yesterday came as Esso, one of the largest oil suppliers in the UK, joined the list of companies rationing deliveries. Esso is to cut supplies of all products by an average of 7 per cent below last year's levels.

British Rail will give priority to freight, commuter and peak-hour inter-city services for businessmen when details of the cuts are announced on Thursday.

The passenger cuts are expected to be concentrated in the West Region, Wales and Scotland and most cross-country services. In some cases an existing schedule of five trains a day could be cut to three.

Some off-peak Western Region services of tre 125 mph high speed diesel train are expected to be lost, but the high-speed east coast service will probably be spared because of problems already resulting from the collapse of the Penmanshiel tunnel in Scotland in March.

The only service guaranteed to escape cuts altogether are those using electrified lines, including the west coast mainline between London, Manchester and Glasgow, most of Southern Region, parts of Eastern Region and other big city commuter services.

British Rail said the reduced services would probably last at least throughout the summer.

British Rail consumes 350,000 tonnes of heavy gas oil each year and said it had no choice but to impose immediate service reductions after a cut of 7.3 per cent in its supplies from Esso and Shell.

British Rail said the fuel problems were a powerful illustration for the case of more railway electrification. A joint BR-Government working party on electrification is due to issue an interim report shortly.

The rising cost of fuel is also an additional pressure on British Rail's finances and makes an autumn round of fare increases virtually certain.

Esso's move means that all the major UK oil companies have started rationing oil products. Only British Petroleum is maintaining supplies at 100 per cent of last year—effectively a cut of 3-4 per cent because of growth in demand—and it is unable to guarantee supplies at this level beyond the end of June.

Esso's reduction in supplies will hit deliveries of fuel oil and middle distillates, products such as diesel, heating oil and aviation fuel, most heavily.

Esso is expected to announce full details of its rationing scheme today. It is understood that supplies will be cut overall to 93 per cent of last year's deliveries. Petrol supplies will be least affected with a cut of 3-4 per cent below last year's level.

Supplies of middle distillate products will be cut by 7 per cent, while fuel oil deliveries will be reduced by 10-11 per cent. Esso is a substantial importer of fuel oil into the UK. It is one of the main suppliers to the Central Electricity Generating Board.

The effect of the cutback on power station supplies should be mitigated, however, by the CEGB's plans to burn much more coal this summer as a substitute for oil. The Government is encouraging it to burn 5m tonnes more coal in the six months to the end of September as part of its plans to cut UK oil consumption by 5 per cent.

Several smaller UK oil companies have already announced more stringent rationing schemes than Esso and Shell with reductions in supplies of up to 20 per cent below last year's level for some products.

Higher North Sea oil prices are being introduced by all the oil companies operating in the UK sector of the North Sea, following the decision late last week by British Petroleum and

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Warning on subsidy cuts, Page 8

Iraq oil up 64 cents

IRAQ HAS imposed a further rise of 64 cents a barrel for its lighter crudes, bringing its Basrah light to $17.00 a barrel, compraed with the $14.55 a barrel that is still being charged by Saudi Arabia for its similar Arabian light "marker" crude.

Saudi Arabia is the only OPEC member that has not introduced any surcharge on its main crude output. It has, however, added a further surcharge of $1.40 a barrel to its very light Berri crude, bringing the price to $17.87 a barrel, a rise of 35 per cent since the end of 1978.

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Anti-EEC forecast in Denmark

By Hilary Barnes in Copenhagen

ANTI-MARKET parties stand to win 36 per cent of the votes cast in the European elections in Denmark on Thursday, according to a Gallup poll. This would give the anti-EEC group of parties, which have formed an electoral alliance, six of metropolitan Denmark's 15 seats. The country's 16th seat will go to Greenland, also expected to elect an anti-Market candidate.

The People's Movement against the Common Market are forecast to take 24 per cent of the vote and its allies, the Single Tax Party, the Left Socialists and the Socialist People's Party, 3, 4 and 5 per cent respectively.

Gallup says the Social Democrats should win 29 per cent and a right-centre alliance of the Liberals, Conservatives, Centre Democrats and Christian People's Party 28 per cent, with the anti-tax Progress Party and the Radicals picking up 4 and 3 per cent respectively.

The survey also shows that if there were a referendum on EEC membership now only 33 per cent would vote in favour, and 48 per cent would vote against. This compares with 38 per cent for and 40 per cent against in a February poll, and 57 per cent for and 33 per cent against in the 1972 referendum.

MR. SILKIN'S 'LABOUR-VERSUS-TORY' BATTLE

'Bad boy' on the attack

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

"THIS IS how the Common Agricultural Policy works: Imagine a row of shops near your home. All of them sell identical products. But you are only allowed to shop in one of them and butter costs four times as much there as in the others.

"When you have made your purchase, the shopkeeper tells you that on top of the higher price, your family must also pay £1.50 a week for being allowed to shop only in that store. Soon it will be £2 a week . . ."

The Rt. Hon. John Silkin, MP, "bad boy" of Brussels and scourge of the Common Market, is on the attack again. This time, before an audience of perhaps 100 middle-aged and elderly housewives in a polytechnic hall on the outskirts of Durham for the annual Labour Ladies' Gala at the weekend.

On the platform, Mr. Silkin is flanked by the local mayor dressed in full regalia, a handful of local MPs, a Transport House organiser up from London for the day, and Durham's boyish-looking Labour candidate for the European elections, Mr. Roland Boyes.

The Ladies are true believers, the bedrock of Labour support in the industrial North, and the meeting is reminiscent of a Methodist church service.

The setting is a somewhat unconventional one for the sleek and urbane Mr. Silkin. But the ladies have voted to invite him, clearly in the hope they will be listening to a future leader of the Labour Party, and he does not disappoint them.

Appropriately, his structures on the iniquities of the Common Market and the high cost of membership, delivered in a measured baritone, sound a little like a Sunday sermon. Afterwards, he autographs programmes with meticulous and smiling courtesy.

Why is a Labour politician, who opposed direct elections in the first place and still firmly believes that Britain would be better off out of the Common Market, urging people to go to the polls next Thursday?

One answer is given by Mr. Boyes. He tells his supporters in Durham: "Europe is so unknown. Don't be confused by all that stuff about the Common Market. This is a straight Labour-versus-Tory battle."

Mr. Silkin's own rationale is more elaborate and unorthodox. He argues, of course, that Labour should be adequately represented in the new parliament to ensure that it does not grow too big for its boots.

But unlike many Labour Left-wingers, his chief concern is not that the directly-elected assembly will undermine the prerogatives of national Government by expanding its powers.

In his view, the villain is the European Commission, whose untiring quest for power must be firmly checked by the Euro-MPs.

This is a change of tack from the time when, as Agriculture Minister, Mr. Silkin was castigating the other EEC Farm Ministers as the source of Europe's ills.

These days, he portrays them as a rather toothless lot who "can only growl and say no," as the Commission, unelected and accountable to nobody, ruthlessly conspires to subject us all to a European master-plan of its own making.

Indeed, by his account, the Council of Ministers only gets to pronounce on one-quarter of all the laws approved by the EEC—the rest being rammed through by the Commission behind closed doors.

As well as understating Mr. Silkin's own influence on events in the Agriculture Council, this version begs two important questions. The first is that it conflicts with the conventional wisdom of the Labour Party that effective democratic control must be exercised only by Westminster and not by a group of Euro-MPs in Strasbourg.

The second is what happens if, instead of hounding the Commission, the European Parliament decides to make common cause with it in opposing the position adopted by the Council of Ministers on key issues?

Mr. Silkin admits this could pose a problem but adds, with disarming candour: "If it happens, I will shift my ground."

In his mind, such questions clearly bulk less large than the over-riding imperative of securing a better EEC deal for Britain and reforming—if not, indeed, demolishing—what he calls the "lunatic system" of the CAP.

Unless other countries are prepared to agree to a radical improvement in the deal which Britain gets, he believes the Labour Party should enter the next election campaign armed with serious proposals for withdrawal from the Common Market.

In the longer run, Mr. Silkin remains deeply sceptical about whether Britain's interests are served by staying in the EEC, whatever the terms.

He believes the crunch will come in the next two or three years, when the financial resources available to fund the EEC budget are due to reach their ceiling, and governments will be asked by the Commission to increase their contributions.

Pym urges Community to take action on defence

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE IMPORTANCE of the EEC using its economic strength to develop Western defences against the Soviet Union was stressed yesterday by Mr. Francis Pym, the British Defence Secretary. His remarks underline the weekend speech made by Mrs. Margaret Thatcher, the UK Prime Minister, in which she emphasised the important role which the enlarged Community could have as a bastion against Soviet expansion.

But Mrs. Thatcher's speech came under strong attack yesterday from Dr. David Owen, who was Foreign Secretary in the Labour Government, and Mr. Anthony Wedgwood Benn, the left-winger who was Labour's Energy Secretary.

The exchanges were made during the European election campaign news conferences held by the two major parties.

Mr. Pym said that the Soviet threat was increasing dramatically year by year. It was increasigly clear that unless the economies of Western Europe combined to meet joint defence needs then they should be at risk.

Although there was no direct connection between the Treaty of Rome and defence, there was a fundamental indirect connection. Lord Carrington, the Foreign Secretary, agreed with Mr. Pym's general thesis but emphasised the separate role of NATO and the EEC.

He said the close association between the Nine was bound to have an effect on foreign and defence policy even though these areas were outside the Treaty of Rome.

Although he did not want to see a common foreign policy for the Community there should be a concerted foreign policy. This was particularly necessary as regards the Namibia problem and the Middle East.

In particular, there had to be a concerted EEC foreign policy to tackle the oil crisis.

This had been lacking during the steep oil price rises in 1973 when the Community's policies had fallen into disarray. He thought oil would be the central issue at the economic summit in Tokyo later this month.

At Labour's news conference, however, Mr. Benn claimed that the Prime Minister's weekend speech had created a great deal on anxiety. He drew the distinction between the Pope's "mission of peace" in Poland and Mrs. Thatcher's "cold war politics."

We did not want a return to the cold war. Economic co-operation between the East and West was one of the sinews around which detente had to be built in Europe.

Dr. Owen saw no virtue whatever in trying to develop a defence identity for the EEC. He believed that Britain had much to lose by talk of introducing defence into the Community.

Envoy's critical despatch is nonsense, says Benn

BY OUR PARLIAMENTARY STAFF

SIR NICHOLAS HENDERSON, the former British ambassador to Paris, who drew up a controversial despatch on Britain's economic decline, yesterday came in for scathing criticism from Mr. Anthony Wedgwood Benn, the former Energy Secretary.

Mr. Benn thought it hardly surprising Britain was criticised for its relations with EEC countries if ambassadors like Sir Nicholas has been "feeding that sort of pessimistic nonsense" to them.

Dr. David Owen, who, as Foreign Secretary in the Labour Government, had received the despatch, also criticised Sir Nicholas but in milder terms. He implied that during seven years as ambassador first in Bonn, then in Paris, Sir Nicholas had become out of touch with what was happening in Britain.

Dr Owen had some harsh words for the roles of the Foreign Office and Department of Defence during the past two decades. Their record in making helpful adjustments to British policy had not been good. From the time of the abandonment of the East of Suez policy, they had resisted "every realistic assessment of Britain's role," he said.

The former Labour Ministers were speaking at a Party news conference on the European election campaign.

The outspoken views expressed by Sir Nicholas were contained in a valedictory despatch to the Foreign Office when he retired from the Paris post. Since then, however, he has been recalled to serve as British ambassador in Washington.

Mr Benn, a leading Labour left-winger, said it was a good thing the despatch was published. As an advocate of open government, he thought all such papers should be made public.

"If the British public knew the real views of senior officials and civil servants like Sir Nicholas Henderson, it would help them understand the reality that many of these senior civil servants do take a very conservative view," he said.

Poll workers short of cash and energy

BY ELINOR GOODMAN, LOBBY STAFF

FOR BRITAIN'S political parties, the European election is an exercise in democracy they could well have done without at this juncture. Having just fought a general election and, in many areas, local government and parish elections as well, the parties are short of both money and energy.

Some constituency associations did not even have the money to pay the £600 deposit for their European candidates.

On top of this, the candidates have had to cope with the unique problems posed by the vast size of the European constituencies as well as the apathy of the British electorate in general and the Press in particular which even Sunday night's European TV spectacular or Labour's Euro-gala in Leeds seems unlikely to change.

Moreover it is not only the voters who have shown lack of interest in the European campaign. Until this week neither of the leaders of the main political parties had given much time to fighting the campaign.

Confronted by all these obstacles, 283 candidates have shown themselves to be a resourceful lot. With an average electorate of 500,000 people, most have recognised that traditional doorstep canvassing is out and they have no hope of meeting anything but a fraction of their electorate. So, as well as addressing public meetings and going on the now standard, but sometimes lonely walkabouts round shopping centres, they have had to look for new ways of getting their message across.

Generally, it is the Liberals, who have all too much experience of fighting elections on a shoe string, who have proved the most ingenious. One produced a record of his election address to send to his electorate while the party chairman, Mr. Michael Steed, walked 22 miles across his constituency to prove that he was fit for Europe.

None of the parties has ever made any secret of the fact that they regarded the European election as the poor relation of the Westminster poll. All have taken the view that the campaign should be fought essentially at the level of the constituency association and that all the central organisation should be expected to provide was a basic support system.

Within this basic similarity of approach lie very great differences in attitude. At one point Labour looked like treating their European candidates not merely as poor relations but as orphans only fit for the charity of the European Parliament.

In the end the party's executive grudgingly made over £25,000 of the party's money to add to the £300,000 provided by European Socialist parties. Much of this has gone out in grants to constituency associations which had run dry during the general election and were unable to raise any more money locally from their traditional backers, the unions.

Even so, very few, if any of Labour candidates will have anything like the £15,000 or so they could spend under the law on election expenses.

It is not only the shortage of money which makes some Labour candidates feel disadvantaged. The splits within the party over the whole question of Europe have created problems all along the line and meant that in terms of organisation the Tories have had a head start on Labour.

Eight or nine million copies of a leaflet on Europe had to be re-printed at a cost of several thousand pounds because the executive did not like the title "Labour for Europe."

By contrast, the Conservatives have been planning for Europe for some time. As long ago as May 1976 the party's voluntary organisation issued a discussion paper setting out a framework for Euro constituency organisation and candidate selection.

A separate European fund appeal was launched nationally. Though the party will probably end up spending less than a quarter of what it spent on the Westminster election, it has been able to give more financial help than Labour to hard-up constituencies.

Moreover, the constituencies themselves have raised some money for Europe—in some areas Eurojumble sales have been added to the annual list of Tory fund raising events.

Few Tory candidates will reach their technical spending limit of £15,000 but the average amount spent by each Conservative candidate looks like being considerably higher than the Labour figure, particularly in marginal seats.

The minority parties fighting the election, like the Liberals who are contesting all 81 seats, are having to rely even more heavily on funds from the EEC and on help from other European parties in the same alliance.

INDEPENDENT Television News is to start its coverage of the European election count half an hour ahead of the BBC immediately after News at Ten. It has signed up Mr. Edward Heath, Mr. Jo Grimond and Mr. Peter Shore to form part of their line-up of politicians to be interviewed during the night's viewing, Arthur Sandles writes.

Neither the BBC nor ITV is making any guesses at the size of audience which might be expected for a late Sunday programme that comes three days after voting has finished in Britain. However, ITV is spending around £140,000 on its coverage and will hook into the European Broadcasting Union programme pool system which is backed by a £500,000 grant from the EEC institutions.

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French inter-party squabbling grows more strident

BY DAVID WHITE IN PARIS

CREASED domestic quarrelig within the ruling Majority d inside the opposition has come the main feature of ance's European election campaign.

The Gaullist RPR received at e weekend its lowest score so r in an opinion poll—12 per nt against 31 per cent for the t of its Majority partner, the DF. At the same time, however, it was able to show off its lent for gathering crowds of pporters, at a mass rally in e Bois de Boulogne attended some 50,000.

M. Jacques Chirac, the RPR ader, charged his Giscardian vals with trying to usurp part the Gaullist vote by "an traordinary exercise in mysiation." Amid 13,000 pots of d, white and blue flowers and ,000 "Jacques Chirac" balons, and backed by a giant oss of Lorraine, he refuted, e UDF's right to claim that its ea of Europe was in line with e late President de Gaulle's.

"What separates us from the DF is incomparably deeper an what unites us," M. hirac said. Gaullist members the Government were not esent at the rally.

M. Raymond Barre, the Prime inister, said at a rally of oung Giscardians—a more odest gathering of 2,000—that e campaign was "full of terior motives", connected ith the 1981 Presidential election and that many of the arguments had nothing to do with the European Parliament.

M. Barre's open support for the UDF against the Gaullists has been a cause of attack from the RPR leadership. "It's a near thing that they haven't stopped me speaking on television," M. Barre said.

On the other side of the fence, the Socialist Party's executive bureau has accused the Communist Party of using "fantastic and mendacious allegations" and of pursuing a campaign "which only benefits the Right."

M. Georges Marchais, the Communist leader, replied in relatively moderate terms, saying he refused to be drawn into "sterile argument."

After "Springtime of Socalist Europe" festivities a week earlier, the Paris region was treated to a total of four political fetes over the weekend.

Apart from the Gaullists and the Young Giscardians, the Young Communists were distributing Couscous and Che Guevara tee-shirts, and the Trotskyist Lutte Ouvrière was inviting participants' children to try their hand at fairground shies, where the targets included British Prime Minister Margaret Thatcher and West German Chancellor Helmut Schmidt as well as French Government leaders.

803 stand trial over Turkish riot deaths

By Metin Munir in Ankara

THE BIGGEST trial in the country's history opened in the south-eastern Turkish town of Adana yesterday. A total of 803 people are standing trial of whom 330 are facing the death penalty.

The city's covered basketball stadium has been converted into a courtroom to accommodate the trial by military tribunal.

The defendants, who include a number of housewives, are charged with incidents connected with the riots six months ago in the south-eastern town of Kahramanmaras where 111 people were killed.

The clashes in Kahramanmaras, a market town of 250,000 inhabitants, were between the Sunni and Alevi sects and were provoked by extreme left and right-wing factions. The majority of Turks are Sunnis, Islam's orthodox sect. The Alevis, akin to the Shi'ites in neighbouring Iran, generally support liberal or left-wing causes.

The trial opened at a time when the political and economic fortunes of Mr. Bulent Ecevit, the Prime Minister, appear to have reached a turning point.

Four deputies have recently resigned from Mr. Ecevit's left-of-centre Republican People's Party. The 17-month-old administration has been further weakened by the resignation of Mr. Enver Akova, the Minister of State and one of the 10 or so independent right-wing members supporting Mr. Ecevit.

The Prime Minister was able to replace Mr. Akova with another independent right-wing member, Mr. Hasan Korkut. However, his national assembly majority is now precariously thin and, equally important, the administration appears to have lost its vigour and self-confidence.

More resignations may be in the offing.

Tito in Malta for talks with Mintoff

President Tito of Yugoslavia and Prime Minister Dom Mintoff of Malta met yesterday in Valletta to discuss bilateral relations, Mediterranean topics, and the forthcoming summit of non-aligned states, writes Godfrey Grima. The two-hour conference followed meetings held separately at ministerial level. President Tito, who flew into Malta from Tripoli for a three-day visit, last met Mr. Mintoff in Yugoslavia last year.

Yugoslavia last year is reported to have provided Malta with more than 100 experts in various fields and is expected to step up technical assistance to the island particularly in agriculture, and ship-repair and shipbuilding.

CHANCELLOR SCHMIDT MEETS PRESIDENT CARTER

Energy and arms underlie Washington talks

BY JONATHAN CARR IN BONN

THE SECURITY of the Western world—particularly in energy and arms—will be the underlying theme in talks tomorrow in Washington between Chancellor Helmut Schmidt and President Jimmy Carter.

Herr Schmidt, who leaves for the U.S. today, is concerned that the sharp rise in oil prices could move the Western economies closer to a recession —and that Washington's recent subsidy on some oil imports is likely to reinforce this trend.

He also feels that a failure by Congress quickly to ratify the new Strategic Arms Limitation Treaty (SALT II) agreement between the U.S. and the Soviet Union could bring another arms race and a return to the cold war.

These concerns are likely to emerge not only in Herr Schmidt's talks with Mr. Carter but also during his working breakfast with Mr. Zbigniew Brzezinski, the U.S. National Security Affairs adviser, which precedes them. The Chancellor's programme also includes visits to Harvard and South Carolina Universities and to Boston and New York.

Despite the German surprise which greeted the U.S. subsidy on light heating oil imports, quickly followed by Bonn's sharp, private condemnation of the measure, the West Germans are publicly going out of their way to try to create a good atmosphere for the forthcoming talks.

It is felt public strife will do little good—particularly so soon before the Western economic summit meeting in Tokyo at the end of this month.

Accordingly, the Chancellor is renewing praise for his relations with President Carter, and has confined himself publicly to calling it "a pity" that the U.S. leader has encountered so much opposition in the legislature to his energy plans.

Herr Schmidt is likely to urge President Carter to support a major effort for co-operation between oil consumers and producers—an idea to be taken up and developed at the Tokyo summit. He is also expected to give further details of his plan for an international study of the security problems of nuclear reactors, in the light of the Harrisburg incident. However, he rules out any question of a moratorium on new nuclear plants, despite domestic and international pressure for this.

Besides urging ratification of SALT II, Herr Schmidt will also discuss the problem of "grey zone" weapons (intermediate range nuclear missiles). It remains his conviction that West Germany must not become the only Western European NATO member to have such new weapons stationed on its territory.

Two Guardia Civil killed in Madrid

BY ROBERT GRAHAM IN MADRID

GUNMEN firing sub-machine guns from a stolen taxi yesterday killed two members of the para-military Guardia Civil in Madrid.

The last time a Guardia Civil was killed in Madrid, in February, the shadowy left-wing extremist organisation, Grapo, subsequently claimed responsibility.

Guardia Civil are normally used to police rural areas and small towns, but they guard several government buildings, and for more than six months past a number of units have been drafted into Madrid to combat the growing wave of political violence.

Yesterday's killings brings to 73 the number of persons killed in politically motivated violence since the beginning of the year. Last week in Parliament, Premier Adolfo Suarez sought to assure the nation that he Government was dealing firmly with terrorism. However, the public, especially in Madrid, still remains apprehensive in the wake of the violent events that killed a total of 17 people the previous weekend.

No group has so far claimed responsibility for planting the previous Saturday a bomb that killed eight persons in a Madrid cafe.

In his speech to Parliament last week, Sr. Suarez appealed to the public to give greater co-operation to the police. But the police have done little to improve their own image. On Sunday, a Venezuelan born woman was shot in the head by a policeman in the northern province of Navarre during an anti-nuclear demonstration.

A police statement said that the policeman's gun went off accidentally while warning a crowd of anti-nuclear demonstrators who were attacking police. Other sources said the woman was killed when police moved in with gun butts to break up a sit-in.

As a footnote, to underline the new level of violence, two people were shot in separate incidents in Madrid yesterday —a bank guard outside a savings bank and a waiter in a restaurant.

Pope John Paul breaks down and weeps during Mass at Jasna Gora.

500,000 Poles welcome Pope at shrine

CZESTOCHOWA—Pope John Paul II yesterday visited one of Poland's holiest shrines, and declared that the years under Communism had strengthened the nation's ties to the Roman Catholic Church.

Speaking to a crowd of ½m at the hilltop monastery of Jasna Gora, the Pope prayed to the Virgin Mary that the Church "may enjoy freedom and peace" in fulfilling its mission.

"The past decades have confirmed and intensified that unity between the Polish nation and its Queen," the Pope said.

"The history of Poland can be written in different ways," the Pope said. "Especially in the case of the past centuries, it can be interpreted along different lines."

After describing the shrine as a place where Poles could hear the "echo of the life of the whole nation in the heartbeat of its mother and Queen," the Pope began singing a traditional refrain of prayer to the Virgin Mary.

The song was sung three times during the sermon, with the crowd starting the song twice.

Jasna Gora, which means "bright mountain," became a symbol of Polish Catholicism when its monks successfully resisted a Swedish siege in 1655.

King Jan Kazimir proclaimed the Virgin Mary Queen of Poland the following year at the hilltop site.

AP

Pinto government faces censure defeat next week

BY JIMMY BURNS IN LISBON

ORTUGAL'S SOCIALIST and ommunist parties yesterday rmalised their opposition to e Government by tabling parate motions of censure.

Both parties hope that the rtain approval of the Socialist otion by a majority Socialist/ ommunist vote next week will ecipitate the downfall of the overnment, although the ming is still uncertain.

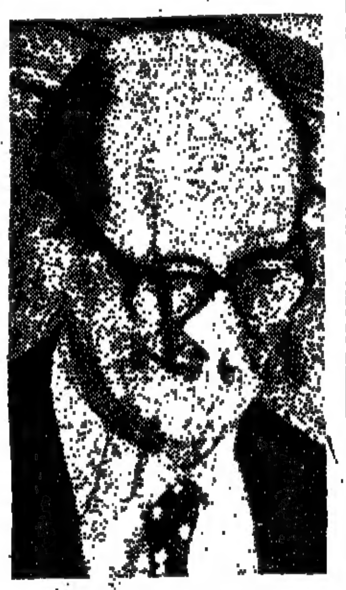
Under the constitution, the overnment need not resign less two separate motions of nsure are approved within period of not less than 30 ys by a parliamentary ajority.

This means that theoretically e Government could remain office beyond next week's otion and wait for the outme of the Communist censure July.

There is, however, growing eculation that serious divions have developed within the itherto solid Cabinet.

Over the weekend all the ading Portuguese newspapers, cluding the state-owned and sually pro-Government Diario e Noticias, carried front-page ories claiming that Dr. acinto Nunes, the Finance inister, would resign following the approval of the Socialist motion.

The Ministry has not confirmed the suggestions although it was understood by some banking officials yesterday that they were true.



Sr. Jacinto Nunes in happier times

Proposals for Dutch N-waste

BY CHARLES BATCHELOR IN AMSTERDAM

ADIO-ACTIVE waste could be tored in underground salt omes in north-east Netherlands, ccording to a report sent to Parliament by the Ministers of Economics and Health.

To keep open its options, however, the Dutch Government as decided to take part in an nternational investigation of the ossibility of burying waste in he sea bed.

The presentation of the report f the Interdepartmental Comission for Nuclear Energy has nswered in broad outline some f the questions facing the Government as it starts a proised public debate on nuclear nergy.

The work of the Commission roduced charges from some MPs, from anti-nuclear groups and from the provincial authorities under whose areas the salt domes lie, that the Government was seeking to pre-empt the public debate.

Mr. Gijs van Aardenne, the Economics Minister, said, however, that the Commission's investigation would produce facts needed for the debate, which is expected to last two years. Further field studies of the five salt domes considered as possible sites will now be carried out.

A decision on waste storage is required before further consideration can be given to building more nuclear power stations

On-shore salt domes, trenches in the sea bed and specially dug mines in salt domes under the North Sea are three possible sites for the storage of Dutch waste, the Minister said. The Netherlands plans to join an investigation being carried out by Britain, the U.S., France and Japan into the use of trenches in the sea bed, he added.

If the Netherlands decides to wait for the results of this international survey it will have to find ways of temporarily storing the waste above ground in the 1990s. The Dutch Government has not yet considered the permanent storage of waste above ground, but if the other long-term alternatives are not possible, then these studies will have to be made, the report recommended.

Danes delay krone action

BY HILARY BARNES IN COPENHAGEN

ALTHOUGH THE Danish krone fell to its floor against the Deutsche Mark on Friday, the authorities are not expected to take corrective action until after the June 7 elections for the European Parliament.

Ministers have denied, meanwhile, that they plan to raise the 8 per cent discount rate or to devalue the krone.

Confidence in the currency has been shaken by a number of factors in the past few days. The first quarter current account balance of payments was unfavourable. The chairmen of the Economic Advisory Council, "the three wise men," recommended a devaluation as the best way of solving the balance-of-payments problem without adverse effects on employment. The Ministry of Finance last week published a report showing public expenditure to be out of control, with a likely rise in real terms this year by 5.5 per cent, compared with a budgeted 1.1 per cent. Finally, union leaders appear to have changed their former outright rejection of a devaluation to acceptance of a small adjustment in the 5-10 per cent range, although they have not made this specific in statements to the public.

It was expected earlier that the Social Democratic-Liberal Government would introduce stabilisation measures in the autumn in connection with the 1980 budget, but there is strong speculation now that the Government will act at the end of this month, when the Folketing (Parliament) is recalled from its summer recess to confirm the results of the European Parliamentary elections.

EUROPEAN NEWS

Paul Lendvai reports on Brezhnev's visit to Hungary

Economic deviation but political conformity

THE STATE visit by Mr. Leonid Brezhnev, Soviet President and Party leader, to Hungary last week was more than a public relations exercise to show that he can walk unaided or deliver a brief speech two weeks before the U.S.-Soviet Viena summit. Mr. Brezhnev paid an unqualified tribute to the moderate political line of Mr. Janos Kadar, the 67-year-old Hungarian Party Secretary, and reaffirmed the respect for national peculiarities within the eastern bloc—recognition of national roads to Socialism. This is seen by Hungarian and East European observers as a significant signal for the bloc as a whole.

The statements by Mr. Brezhnev, the Soviet press coverage of the visit, the lengthy joint communique and the evident satisfaction of Mr. Kadar in a televised address, reflect a major political success for the moderate Socialist Hungarian line. It affects both the economic future of the country and multi-lateral integration within Comecon as a whole. The praise for "creative efforts" by the Hungarians to deepen contacts between the Party and the nation and to further develop Socialist democracy must be seen against the background of the daring economic experiments launched in Hungary since 1968.

"Faced with serious difficulties themselves, the Soviets no longer care so much for phrase-mongering and verbal radicalism. They respect those leaders who '*deliver the goods,*' maintain law and order and manage to keep the population contented. As Kadar, on top of all this, has a good image abroad and helps to make the policy of detente credible, his standing in Moscow has never been as high as now," a high-ranking Hungarian official remarked during the visit.

On the day Mr. Brezhnev arrived the Soviet Party newspaper Pravda was already praised the Hungarian Party which, "wisely combines both the general laws of Marxism-Leninism and the concrete conditions under which they are being realised." However, in his toast at a dinner given by the Hungarians in the glittering "hunting hall" of the Parliament, Mr. Brezhnev went further: "Every country has unique features. It is impossible to achieve a healthy co-operation, to settle to mutual satisfaction, this or that problem, if one does not take special features into account. It has become a norm in Soviet-Hungarian co-operation that we are attentive to and treat each other's peculiarities with good intent." Finally, he went so far as to say that the Soviet Union regards the interests and concerns of their friends as their own.

Whether this means that the Soviet Union, which provides 90 per cent of Hungary's energy imports, will at last make long-term commitments to provide more raw materials, primarily *crude oil and gas is still an* open question. In his television summing up, Mr. Kadar said the Hungarian side had, "frankly, honestly and truthfully" informed its Soviet friends of their tasks and concerns and that "everything we have intended has been realised during the talks." The joint communique also spoke of the "active solidarity and comradely assistance" of the Soviets who provide one-third of Hungary's aggregate foreign trade and 40 per cent of the imports of raw and basic materials.

As no other Comecon country is as poor in resources as Hungary which has to cover over half its total energy consumption through imports, the final statement's call for completing "as soon as possible" the elaboration of a long term co-operation and specialisation programme up to 1990 reflects vital national interests.

According to observers, not onl ythe Soviets but also such recent visitors as Mr. Grisha Filipov the Bulgarian Central Committee secretary in charge of economics, have been im*pressed by the success of Hun*garian farming. Though nominally collectivised, it relies heavily on private incentives, including both the private plots of the members of the collective *farms and th profit possibilities* granted to the enterprises. Both Mr. Brezhnev and the 160,000 Soviet tourists expected to visit Hungary this year can see for themselves that the shops are well-stocked with fresh vegetables, fruit and pork.

As Hungary, albeit accounting for only 6 per cent of the Soviet imports, supplies two-thirds of the fresh fruit and half of the tinned vegetables imported by the Soviets, the unorthodox incentives and increased powers for agricultural enterprises provide dividends also to the Soviet consumers. Mr. Brezhnev's recognition of the various roads to Socialism means a green light for such economic experiments in other bloc countries too, provided they do not endanger *the basis of the one-party* system.

Therein lies the strength of Mr. Kadar who since the crushed uprising in October 1956 has converted Hungary into a haven *of relative political stability*. The atmosphere of political relaxation and modest affluence contrasts with the recurring tensions in Czechoslovakia and Poland, rumblings in East Germany and what Moscow sees as nationalistic deviations in independent-minded Romania.

However, the "Hungarian miracle" is exposed to a number of dangers. The terms of trade have deteriorated by 20 per cent during the past five years. Deputy Premier Jozsef Marjai, one of the country's most able and outspoken officials, warned recently that there was no chance of a short-term favourable change on the western markets.

Surveys showed that in 1975 industrial productivity in Austria was 75 per cent up on the Hungarian level. The same year, Hungarian heavy industry achieved only 42 per cent of the per capita output of a group of similar Western plants. In chemicals the gap was even larger.

This is the background to the impending upward move in prices to bring the economy in line with the rest of the world. It is expected that 60 per cent of producer prices will be raised by 20 per cent from January 1 next. Though not all the rise will be passed on to the consumers, Hungarians expect a steep increase in the price of fuel, food, cars, and consumer durables.

Hungary will have to pay a political price for Soviet goodwill and the toleration of internal diversity. Comment on Soviet foreign and domestic policies will not be allowed. Even a major study, 10,000 copies of which was printed on the life of Bela Kun, the leader of the short-lived Hungarian Soviet Republic in 1919 and later a top functionary of the Communist International in Moscow, had to be withdrawn *from the bookshops at the last* minute. That was despite the fact that some reviews and interviews with the author, a respected Communist historian, had already been published. *Similarly, 30,000 copies of a* collection of articles and essays by Hungary's greatest living poet and playright, Mr. Gyula Illyes were printed last autumn, but are still being withheld for fear of hurting relations with neighbouring Communist countries.

Though the large Soviet limousine taking Mr. Brezhnev and his Hungarian host to the airport broke down in the middle of the Elisabeth Bridge and the two leaders had to change to a back-up car, neither this mishap nor resentment at *historians stirring up the* murky depths of the Stalinist purges are likely to change the fact that the three day visit of Mr. Brezhnev was a political and moral boost for Mr. Kadar.

The visit is also bound to strengthen the hands of those who in the other Eastern bloc countries are pressing for more flexible and outward-looking policies, based on concessions to the profit-instinct and an increased private enterprise without endangering the single-party system.

President Brezhnev is greeted on arrival in Budapest by Hungarian Party Secretary Janos Kadar (left).

Revival of E. African co-operation in prospect

By John Worrall in Nairobi

REVIVAL OF the East African Community with its common market is out of the question, but there are hopes in the area, and among those who do business with it, of the beginning of a new era of close economic and technical co-operation.

These hopes have been aroused by a meeting in Arusha, Tanzania, of President Daniel Arap Moi of Kenya and *President Julius Nyerere of Tanzania*. It was an important breakthrough in the icy relations which have existed between the two countries since President Nyerere abruptly and unilaterally closed the common border two and a half years ago after the collapse of the East African Community.

The result of the Arusha meeting will undoubtedly be the *opening* of the border, but it has been stressed that this is not to happen just yet. Kenya's businessmen will have to use a little more patience before normal trade with Tanzania can be resumed. In 1976 Kenya's exports to Tanzania ran at K£33.4m (£42.79m). After the border ban it dropped to K£2.8m (£3.58m) in 1978.

Direct flights

Another result of the meeting was a low-key agreement, in principle, to re-establish air links between the two countries. When the details are worked out this will enable direct flights to be made by national and international airlines between Nairobi and Dar es Salaam, and will save travellers considerable inconvenience and delay.

Another important step was a decision to work out a new bilateral trade agreement between the two countries, from which will flow, presumably, the resumption of land communications and opening of the border. Each country now has its individual Customs department, as opposed to the old joint Customs *shared by the three countries* of the community, Kenya, Tanzania and Uganda.

It emerged that Kenya and Tanzania had not yet reached agreement on the complex question of dividing the assets and liabilities of the East African Community and its corporations. The issue is being considered by a Swiss mediator, Dr. V. Umbricht, who was appointed by the World Bank, one of the major creditors. The full figures involved have not been disclosed but run into hundreds of millions of dollars. The two Presidents agreed to speed up the process.

Nyerere's move

Whatever was or was not decided, the important fact was that friendly contact was made between the two Presidents, who had not met since Jomo Kenyatta's funeral. It was significant that the invitation came from President Nyerere.

The meeting came after the overthrow of Idi Amin in Uganda and the setting up of a new Government in Kampala. A large part of the meeting in Arusha was devoted to agreeing on ways and means of aiding Ugandan reconstruction.

There were other fences to mend. The Tanzanians were critical of Kenya's apparent reluctance to help in the military overthrow of Amin, by cutting of his petrol supplies from the Kenya refinery at Mombasa. Kenya argued that it had a duty to maintain traditional supplies to a landlocked nation, whoever its leader and whatever its regime.

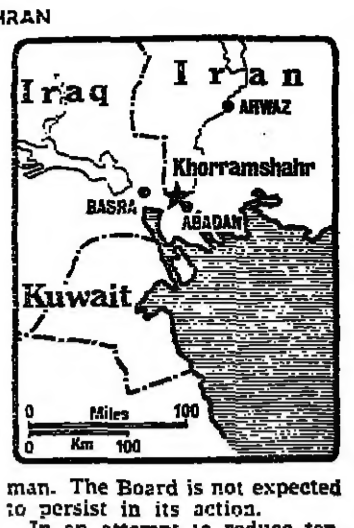
OVERSEAS NEWS

Iran's Arabs threaten more fighting

BY ANDREW WHITLEY IN TEHRAN

MILITANTS from Iran's Arab minority in the vital oil province of Khuzestan have threatened to resume fighting today if their demands for greater self-rule and recognition of their ethnic rights are not met.

The threat comes amid continuing allegations by senior Iranian officials that Iraq is covertly fomenting the unrest. Kuwait has also been accused of giving strong propaganda support to Iran's Arabs, so as to prepare the ground for secession.



Concern is being expressed in Tehran at the possible effect on oil production of a second, possibly more bitter, round of fighting than the one last week, in which about 100 people are believed to have died. Although the Iranian Arabs' scope for direct interference with the oil installations is judged to be limited as they belong only to the lower echelons of the work force, acts of sabotage in recent days in the south-western province highlight the danger.

Meanwhile the crisis at the top of the National Iranian Oil Company eased yesterday after the Government's refusal to accept the resignation of the Board—a political act in support of Mr. Hassan Nazih, NIOC's managing director and chairman. The Board is not expected to persist in its action.

In an attempt to reduce tension in Khuzestan in advance of today's deadline from the Arab Cultural and Political Organisation, the provincial government yesterday lifted the six-day state of emergency imposed on the port city of Khorramshahr, where the conflict began.

Most troops have also been withdrawn from the streets of Khorramshahr, but Admiral Ahmad Madani, Governor-General of Khuzestan and head of the navy, has refused to concede Arab demands for his own resignation and the disarming of pro-Government militias.

Admiral Madani told reporters and an investigation mission from Tehran that several acts of sabotage of railway lines had been noted in recent days. Oil industry officials reported that a pipeline pumping station was deliberately damaged last Wednesday. The Governor-general earlier called for the strengthening of security forces in the region, in the light of the possible threat to oil exports.

Despite the fact that they make up a majority of the region's population, Arabs only constitute a 20th of the workers at the Abadan oil refinery, according to a NIOC engineer. The proportion is somewhat higher in the oilfields further north, but job discrimination has long been an Arab grievance, with Persians and other non-Arab Iranians being preferred for more important tasks.

Secret contacts between Arab militants and representatives of the Popular Front for the Liberation of Palestine are alleged by Iranian officials to have taken place in the days leading up to the first outbreak of fighting. However, Admiral Madani's claim that George Habash, the PFLP leader had been seen twice inside Iranian territory, at Shadegan, north-west of Khorramshahr, are discounted by *reporters just back from the* region. The PFLP has long been backed by Baghdad, but the Iraqi consul in Khorramshahr strongly denies charges that his country is behind recent troubles.

Iranian allegations concentrate on consignments of weapons said to have been shipped across the Shatt al-Arab estuary from near the Iraqi port of Basra. Last month the Government news agency, Pars, said two boat-loads of 8,000 rifles had been captured coming across the Gulf, but gave no further details.

Ayatollah Sadeq Khalkhali, an aide of Ayatollah Khomeini, has just returned from a tour of the sheikhdoms on the other side of the Gulf. The trip is believed to have been aimed at persuading Iran's neighbours to take measures to halt the smuggling of weapons to its Arab minority.

Ayatollah Khalkhali visited several of the emirates, including Abu Dhabi and Dubai, but has made no statement on the outcome of his mission. He is now in Khuzestan, presiding over the trials of members of the old regime and may judge the cases of Arabs captured during last week's fighting.

Israelis foil guerrilla raid

BY DAVID LENNON IN TEL AVIV

A PALESTINIAN speedboat heading for a raid on the Israeli coast was intercepted and blown out of the water by Israeli gun boats late on Sunday night. This was the latest of a series of Palestinian sea launched attacks on Israel which have been foiled by the navy.

As a further part of the war-fare against Palestinian guerrillas, Israeli forces yesterday destroyed one house and sealed up four others on the occupied West Bank. *The army* spokesman said that the houses had been used by members of a four-member Fatah cell which had been responsible for a number of sabotage attacks.

The brisk naval encounter took place near the Lebanese-Israel border where the Palestinian craft was engaged by the Israeli gunboats. In the exchange of fire the speedboat was hit and sunk. There were no survivors. The military spokesman said that the Palestinians had planned to launch a rocket attack on the coast of Israel.

The houses destroyed and sealed up in the Ramallah area of the West Bank had been used by a Fatah cell comprising three women and a man.

The group was uncovered after one of the women was caught planting a bomb in Jerusalem recently, but the male leader has not been found, the military spokesman said. The group was responsible for at least four deaths and dozens of injuries, according to the spokesman.

House demolition was only recently reintroduced as a punishment for sabotage. It was widely used during the late 1960s and early 1970s and aroused considerable opposition even within Israel where many people objected to the punishment of the members of the *families of those engaged in* guerrilla activity.

Meanwhile, the police are still holding a number of Jews from the Kiryat Arba settlement near Hebron on the West Bank who are *suspected of* having attacked a number of Arab homes in Hebron.

Meanwhile the Israel Government has decided to build a new Jewish settlement on the outskirts of Nablus, the West Bank's largest town. The timing of this decision only a week after talks about the future of the occupied territories were started with Egypt aroused considerable opposition within the Cabinet.

Five senior Ministers, including the Defence and Foreign Ministers, opposed the decision. Some of them were also critical of the fact that 200 acres of privately-owned Arab land would have to be taken over for the settlement.

The landowners may appeal to the High Court for an injunction against the land seizure, but in a recent case the court ruled that seizure of land for building settlements was legal.

Mr. Ezer Weizman, the Defence Minister, argued in the Cabinet that if the site of the settlement had strategic importance, as argued by some Ministers, then it should be used for a military installation and not a new settlement.

Mr. Moshe Dayan, the Foreign Minister, argued that the seizure of land was out of place at a time when talks on the West Bank and Gaza Strip are just getting under way. He also said that in his opinion the site was not vital from a security standpoint.

West Bank move angers Egypt

BY ROGER MATTHEWS IN CAIRO

PRESIDENT SADAT of Egypt *is understood to have protested* sharply to Mr. Moshe Dayan, Israel's Foreign Minister, yesterday over the decision of the Israeli cabinet to authorise the building of a new settlement in the occupied West Bank.

Mr. Dayan was taken by helicopter for an unscheduled meeting with President Sadat soon after his arrival in Cairo for what had been intended as fairly routine talks over the pace at which the two countries would normalise relations.

There was no evidence, however, of Mr. Dayan adopting a more conciliatory line over settlements policy, despite his opposition to the decision taken at Sunday's cabinet meeting. At an airport press conference he firmly re-stated Israel's basic position on the West Bank, Gaza and east Jerusalem. This drew the remark from Egypt's Dr. Boutros Ghali, Minister of State at the Foreign Ministry: "I do not wish to comment just to add one footnote: I disagree completely with the points of view presented by Moshe Dayan."

The exchanges between the two men at the airport again illustrated the vast gulf that seperates Egypt and Israel over the question of autonomy for Palestinians living on the West Bank and Gaza. Negotiations on this issue are due to resume next week in Alexandria.

Mr. Dayan said he did not think that the Israeli Cabinet decision to build a new settle*ment near the West Bank town* of Nablus created any obstacle to peace. Egypt, he said, had not made a freeze on new settlement building a condition for signing the peace treaty. Israel was *therefore* discussing autonomy for the Palestinians without any preconditions. Speaking personaly Mr. Dayan added that he saw nothing wrong in having an Israeli settlement built next to "an Arab settlement."

Egypt has demanded that Israel should halt all settlement building on the West Bank and Gaza. The two sides are also deeply divided on the wider meaning of autonomy with Mr. Dayan again emphasising yesterday that Israel would never permit the creation of a Palestinian state and that Jerusalem would remain an undivided city and the capital of Israel.

Later Mr. Dayan and Dr. Ghali were due to begin the first formal round of talks on the pace at which the "open borders" between the two countries, announced recently, would actually come into effect. While Israel is pushing hard for swift normalisation, Egyptian officials see this as an element which can be used as a lever in the Palestinian negotiations.

'Attempted coup' in Ghana fails

GHANA'S military rulers yesterday appeared to have halted the second attempted coup in the country in as many months, Martin Dickson writes. Ghana is due to return to civilian rule on July 1 after general elections later this month.

According to reports from Accra, the leader of last month's attempted uprising, Flt.-Lt. Jerry Rawlings, was released from jail by dissident other ranks early yesterday. The dissidents then seized the radio station, which broadcast what was said to be a statement by Rawlings.

Several hours later, the military Government appeared to be back in control. Gen. Odartey-Wellington, Commander of the Ghanaian Army, announced that the coup attempt had failed and broadcast an appeal for members of the armed forces to cease fire.

'Boat people' warning

The Vietnam "boat people" problem could get "very much worse," with the number of refugees possibly reaching 1m, Lord Carrington, Foreign Secretary, said in London yesterday, *John Hunt reports*. Lord Carrington emphasised the need for a UN-sponsored conference

Reuter adds: Thailand is considering setting up a temporary refugee processing centre on an island in the Gulf of Thailand, Prime Minister Kriangsak Chomanan said in Bangkok.

Duke visits Peking

The Duke of Kent flew into Peking yesterday — the first member of the British Royal Family to visit Communist China, Reuter reports. During his seven-day visit, the Duke will open the British Energy Exhibition, at which more than 300 British companies are represented. More than 700 British businessmen are in Peking for the exhibition.

Barrier Reef ban

Oil exploration and drilling will not be allowed on Australia's Great Barrier Reef until scientific studies show it will not harm the environment, Mr. Malcolm Fraser, Australia's Prime Minister, said yesterday, Reuter reports from Canberra.

THE ERASMUS COMMISSION FINDINGS

Vorster 'kept knowledge of irregularities from his Cabinet'

CAPE TOWN—The judicial commission investigating South Africa's secret funds scandal has castigated President John Vorster for covering up the affair when he was Prime Minister. In a report tabled in Parliament, the commission said it was amending its earlier finding that Mr. Vorster had emerged from the affair with unblemished integrity. The report said that by covering up misappropriations of millions of rands by the Government's former Information Department, Mr. Vorster had to share *responsibility for the irregular* actions of Dr. Connie Mulder, the former Information Minister, who has been ousted from the Cabinet, Parliament and the ruling National Party because of the scandal.

The report said: "For more than a year, Vorster, together with Dr. Mulder, kept his knowledge of irregularities in the administration of the country from his Cabinet colleagues, at a time when the Press and the opposition were already making serious insinuations and accusations of maladministration against the Government.

"During this period every *innocent member of the Cabinet* therefore had, because of the collective responsibility of the Cabinet, to bear the stigma of public accusations without knowing all the facts."

The report is the third, and is expected to be the last, issued by the commission, under Judge Rudolf Erasmus. The commission was set up last November by Mr. Pieter Botha, Mr. Vorster's successor as Prime Minister, to investigate the scandal which has been troubling South Africa for more than a year.

The commission ranged widely in its latest investigations, sending lawyers overseas to examine Information Department activities in global propaganda and studying bank accounts of principal figures in the scandal.

For the first time, it went into allegations that South African Government money was used to buy into the UPITN international news film agency and the Californian newspaper Sacramento Union, as well as in attempts to buy the Washington Star and a share of the British publishing company, Morgan Grampian.

The report repeated the commission's earlier clearance of Mr. Botha, the Prime Minister, and of Mr. Owen Horwood, the Finance Minister. It also exonerated Mr. Johannes Waldeck, an Information Department official whose retirement, it said, had been engineered because he was a restraining element. "May he recover from *the injustice done to him*," the report commented.

In its first report last December, the Erasmus Commission said: "It must be stated early and unequivocably that Mr. *Vorster's attitude and actions* through all the activities involving irregularities were, in the commission's opinion, honest, bona fide and devoid of any trace of personal gain. In the commission's opinion his integrity is unblemished."

But the section on Mr. Vorster in the latest report said: "The commission's findings . . . stands amended in the light of the findings and conclusions in this chapter."

Mr. Vorster has already admitted publicly that he knew from August, 1977, about the now-disbanded Information De*partment's funding of the right*-wing English-language newspaper The Citizen as a counter to the rest of the normally anti-Government English-language Press in South Africa. This project was code-named "Annemarie" and was at the heart of the scandal.

The commission said Mr. Vorster called the election of November, 1977, which the National Party won in a landslide, without telling the Cabinet or his party of the irregularities. Afterwards he did nothing effective to sever the state's connections with the paper, which became public knowledge only late last year, after Mr. Botha had taken over as Prime Minister.

The report said the commission believed Mr. Vorster *knew that a report clearing the* department of irregularities, which was given to him in September, 1978, painted an incorrect picture.

In its examination of other projects by the Information Department, the commission said it had been told by Mr. Gerald Browne, former Secretary for Finance, that he had heard from the then Finance Minister, Dr. Nicolaas Diederichs that Mr. Vorster and Dr. Mulder had initiated the plan to help Mr. John McGoff, an American publisher, buy the Washington Star in 1974. Dr. Diederichs, who later became President, died last year.

Mr. McGoff said he would put up $15m and asked South Africa to contribute $10m, according to evidence to the commission. *The money was transferred* through Switzerland but the deal fell through.

The commission said that at a meeting in South Africa, Mr. McGoff put up the idea of buying the Sacramento newspaper, using the interest on the $10m and part of the capital. But the commission said it was given evidence that Mr. McGoff later said he had used the *entire* $10m to buy and run the newspaper.

The commission said a further $1.35m was made available to Mr. McGoff to buy Paramount Films' 50 per cent share in the UPITN company, which the report calls "UPITV"—in which the United Press International news agency and Independent Television News in Britain each held 25 per cent. "McGoff *purchased Paramount Films'* 50 per cent share in UPITV on behalf of the RSA (Republic of South Africa), but acquired it for himself," the report added.

It said Mr. McGoff eventually repaid a total of $4.97m and Dr. Eschel Rhoodie, senior civil servant in the department, agreed to write off $3.38m. The remaining debt of $1m was sold to Mr. McGoff's partner, named Leipprand, for $30,000, the report added.

On the Morgan Grampian dealings, the report said Dr. Rhoodie was keen to acquire shares in a British publishing company to use its publications for opinion-forming in favour of South Africa. The department guaranteed a $4.6m foreign loan to Mr. David Abramson, a Johannesburg businessman, in 1976 to acquire 20 per cent of Morgan Grampian, with the Information Department to receive 20 per cent of the proceeds. Later the department provided another $1.5m interest-free for the project, and also paid interest on the original loan.

Mr. Abramson and Mr. Stuart Pegg, *his co-director* in a company called Alpane Ltd., began buying shares in Morgan Grampian, the report said. Eventually, a British company, Trafalgar House Ltd., offered to buy Alpane's shares in Morgan Grampian as part of Trafalgar's takeover bid, and Mr. Abramson, Dr. Rhoodie and Dr. Mulder decided to accept.

The shareholding was sold for more than $10m, leaving a profit of about $4.356m the report said. This was to be divided between Alpane and the Information Department.

The Erasmus Commission said differences emerged on contract clauses and Alpane still apparently owed the state just over $305,000. But it concluded that the operation was not made for personal gain and was not an irregularity.

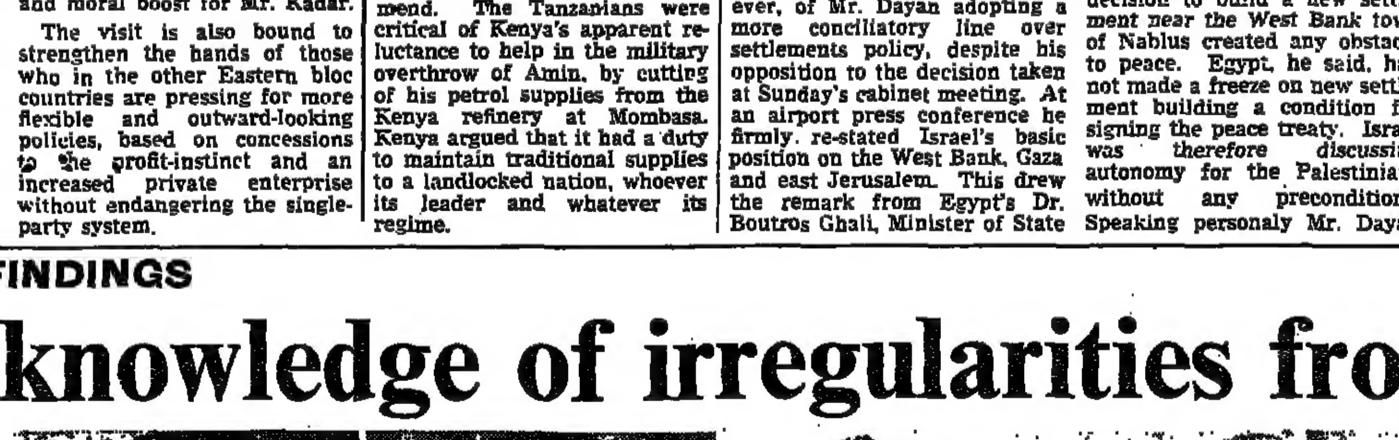
The commission examined the bank accounts of a number of key figures in the scandal, including Dr. Rhoodie who has fled the country and is wanted on theft and fraud charges.

Noting that Dr. Rhoodie was earning a net salary of not more than 1,146 Rand ($1,352) a month, it said that he and his wife had combined bank deposits of more than R416,000 ($490,000). It added that in the absence of explanations from the couple, the source of cash deposits remained a mystery.

The Commission also reproduced earlier but unpublished evidence from General Hendrik Van den Bergh, former head of the Bureau for State Security, whom it accused in its first report of being a prime mover in the department's irregular activities. The General had claimed that the commission was making him a scapegoat and that its proceedings were a farce.

The Commission published for the first time evidence in which the General said his men would kill on instruction. According to the commission, the General said he had good men under him and added: "I can tell you here today, not for your records, but I can tell you that I have enough men who would murder if I asked them to kill . . . I don't care who the victim is. That is the sort of man that I have . . ."

Reuter.



Leading figures in the drama: left to right, Mr. Horwood, Dr. Mulder, Dr. Rhoodie, and the Prime Minister

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AMERICAN NEWS

Tensions in the non-aligned movement before the Havana summit

Cubans pursue new ambitions

BY OUR FOREIGN STAFF

THE FATE of the non-aligned movement is in the balance and during the next few months the role that Cuba plays could show whether the movement will take on a new lease of life or break up and fade into insignificance.

This week the foreign ministers of the participating countries will meet in Colombo to make the final delicate arrangements for the summit which is due to take place in Havana between September 3 and 7.

The movement, which has 88 members—mainly in the Middle East, Africa and Asia—is deeply split. The Cubans, who would be hosts to the conference in Havana, would in that case have an important role in preparing the agenda. They would like to see it place more reliance on the Soviet Union's view of the world. This would involve accepting the Russian view that the future, in particular of the developing countries, belongs to Marxist-Leninism.

This stand has brought into question whether Cuba would be an acceptable host for the summit.

Most member states strongly oppose the Cuban view. Somalia last year called for the expulsion of Cuba from the non-aligned movement, reflecting widespread criticism in Africa of Cuba's ties with the Soviet Union and of the intervention of Cuban forces in conflicts in Africa. Cuba was also condemned at a meeting of the Yugoslav Communist Party last June for not opposing "hegemonism"—an indirect reference to Russia.

The cohesion of the non-aligned movement has also been strained by a variety of regional issues. Most Arab states would like to see the expulsion of Egypt. China is anxious that diplomatic recognition should be witheld from the new regime of Heng Samrin in Cambodia which it denounces as a puppet of Vietnam and the Soviet Union.

These differences come at a time when there is little else to hold the movement together but common opposition to racism, a commitment to disarmament, and support for the attempts of developing nations to obtain a shift in the distribution of the world's wealth in their favour.

Founded in 1955, the strength of the movement under such leaders as Nehru, Nasser, Sukarno, Nkrumah and Tito was its anti-American and anti-Russian stance at a time when the two powers were competing for allies during the Cold War. But its importance has since been eclipsed both by detente and by new groupings among developing countries pursuing their economic and political goals through other organisations.

To a small number of countries however the non-aligned movement is still of crucial importance. Foremost among them is Cuba which is the reason Havana will be pressing hard at the Colombo meeting to be host for the next conference.

As a state whose continuing prosperity and defence capabilities depend on Moscow, Cuba has an interest in demonstrating its usefulness in rallying developing countries to the Soviet standard. It is for that reason in part that President Castro is hoping that many heads of state will go to his capital in September and be understanding of President Brezhnev's policies.

But, perhaps even more important, he needs a good selection of high level representatives and new impetus for the movement for his and Cuba's own reasons. He has immense ambitions to be recognised as a leader of the whole Third World, ambitions which lead to the foundation of the revolutionary African, Asian and Latin American Peoples Solidarity Organisation in the 1960s and to the dispatch of troops and civilian experts to Latin America, Africa and the Middle East. He also sees Cuba's national interest coinciding with the building up of a bloc of developing countries which would press the developed world—and indeed the richer countries of Comecon — for better trade and aid terms.

Any diplomatic debacle in Havana would be a disaster for President Castro, not least because it would make him and his country even more dependent than they now are on the whim of the USSR. Among the main protagonists therefore there are strong reasons for a compromise that will keep the movement alive.

President Castro . . . aiming for Third world leadership

Carter opponents seize on Panama treaty

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE CARTER Administration now faces another tough confrontation with Congress over a foreign policy issue which it hoped it had resolved last year—the transfer by the year 2000 of ownership of the Panama Canal to Panama.

Conservative opponents of the treaties, who fell only two votes short of preventing their ratification by the Senate less than a year ago, are now mustering forces in the House of Representatives to try to change the details of the treaties so that they are unacceptable ot the Panamanian Government.

Their vehicle is the implementing legislation now before the House, dealing with technical items like payment for the transfer of the canal and other U.S. properties to Panama. The nub of their argument is that Panama, not the U.S. taxpayer, should bear the full cost, estimates of which vary between $800m and more than $4bn over the next 21 years.

The Democratic leadership of the House has already postponed critical votes on the issue until the middle of this month because it felt it lacked the necessary support. In addition the Administration's own lobbyists have been forced to support a compromise Bill drawn up by the House Merchant Marine and Fisheries Committee because it was clear their own Bill was dead.

Even this compromise Bill, in the view of the State Department, comes perilously close to violating the spirit, if not the letter, of last year's treaties and therefore invites rejection. However, it is clearly the lesser of two evils compared with the Bill drafted by the treaty's opponents, under Republican George Hansen of Ohio, which would be patently unacceptable to Panama.

The most controversial elements in the compromise Bill would give effective control of the Panama Canal Commission, the executive body to the Defence Department for the next 21 years. It would also require Congressional approval for property transfers to Panama, and would eliminate the $10m annual payment to Panama from canal operating revenues.

Under the treaty, Panama was to receive annual payments of as much as $85m a year derived from canal revenues. The Hansen Bill would require that Panama uses these proceeds to pay for the entire cost of transfer of ownership and properties.

Supporters of the treaties have pointed out that under international law Panama would be entitled to renounce last year's agreements if the House wreaks substantive changes, and unilaterally to assume control of the canal when the original pacts expire this autumn.

Even some Congressmen, such as Mr. David Bowen, the Mississippi Democrat, who opposed the treaties a year ago are now arguing that the U.S. Congress cannot treat properly ratified international commitments in such a cavalier manner.

Quebec confirms moderate stance

QUEBEC—The separatists Parti quebecois re-stated on Sunday its desire to bring about Quebec's secession from Canada by negotiation rather than unilateral action.

The province's ruling party made its decalartion after a three-day convention, the last it will hold before a long-awaited referendum in largely French-speaking Quebec on the separation plans of Mr. Rene Levesque's Government.

The conference passed resolutions that an independent Quebec would seek a common currency with Canada, with a jointly-run central bank, no tariff or trade barriers and free movement of persons and capital, and that it would have a foreign policy renouncing war, but would stay in NATO and participate in the U.S.-Canada defence agreement.

Other resolutions passed at the convention included:

● The rejection of a unilateral declaration of independence, unless the rest of Canada spurns the party's demands for close economic links between Quebec and Canada.

● If people voted "yes" in the forthcoming referendum, which could be held as early as this autumn, the Quebec government would demand from the federal government in Ottawa "all powers belonging to a sovereign State."

● If negotiations to achieve independence failed, then the Parti quebecois government would call a second referendum or a provincial election to determine whether to proceed with political sovereignty without the desired economic association.

Insurance benefits

THE OUTGOING Canadian Liberal Government agreed to postpone restrictions on unemployment insurance benefits that were scheduled to go into effect last Sunday night, writes our Ottawa correspondent.

Mr. Joe Clark, the new Prime Minister, decided the changes should be deferred pending a review by the person who replaces defeated Liberal Bud Cullen, the former Minister of Employment. The changes passed through Parliament last winter.

They were opposed by the Conservatives at the time and create new categories of insurance claimants and increase the number of weeks persons have to work before they qualify for benefits.

Strike ends

WORKERS at Inco Metals Company voted yesterday to accept a three-year contract ending an eight-month strike that cost Canada a record number of lost man hours, Victor Mackie reports from Ottawa.

Mr. Gilbert Gilchrist, Northern Ontario supervisor for the United Steelworkers of America, said the members of local branch voted 67.6 per cent in favour of the contract. He said the vote was 5,983 to 2,869.

Reserves drop

CANADA'S official reserves fell by US$1.06bn in May to US$4.08bn. The drop in April had been US$279m, the Finance Ministry reported yesterday, agencies report from Ottawa.

Managua airport a 'war zone' as Leftists advance

BY HUGH O'SHAUGHNESSY

A GENERAL STRIKE was called in Nicaragua yesterday by the Sandinista guerrilla movement as its forces continued what they hope will be the final push against the Government of Gen. Anastasio Somoza.

The Sandinistas are reported to have declared Las Mercedes airport in Managua, the capital, a "war zone" and warned international travellers not to use it.

As Sandinista activity continued in many areas of the country the Somoza Government has increasingly been seeking international support. Radio Reloj in San Jose, the capital of neighbouring Costa Rica, reported that Gen. Somoza's son, Colonel Anasastio Somoza, the commander of a crack unit of the National Guard, is seeking aid in the U.S.

Gen. Roger Jerez, the Deputy Defence Minister, was reported to be on a similar mission to Gen. Jorge Videla, the Argentinian President, while another emissary has gone to Santiago.

It is expected that Condeca, the Central American Defence Council, will meet this week to consider Gen. Somoza's appeal for help. Besides Nicaragua, Condeca has only two active members, the Governments of El Salvador and Guatemala. Costa Rica has no army and Honduras has not been an active member since its "football war" with El Salvador in 1969.

Panama is not an active member either and has in the past assisted the insurgents against the 42-year-old rule of the Somoza family.

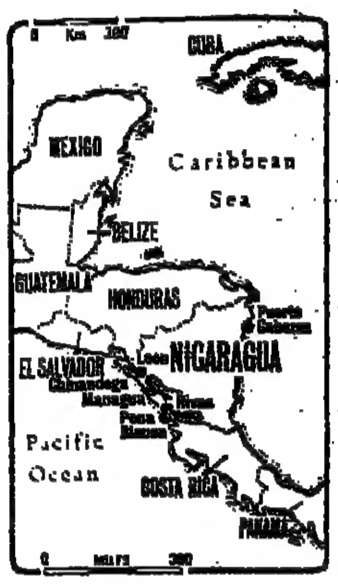
With fighting reported near the southern border with Costa Rica, and also in the cities of Leon, Rivas Chinandega and the departments of Nueva Segovia and Carazo, it has been reported that the pro-Somoza forces have been using napalm.

If the fighting goes seriously against Gen. Somoza he may receive reinforcements from El Salvador and Guatemala, who fear the establishment of a Left-wing Government on the Central American isthmus which might exacerbate their own domestic political problems.

During last September's unsuccessful drive against the Somoza Government, troops from both countries were reported to have been fighting against the Sandinistas. The two governments have denied sending troops and the Salvadoreans and Nicaraguans may have been mercenaries or members of the Right-wing vigilante groups which are active in both countries.

In London the Foreign and Commonwealth Office knew of no plans for a British airlift of civilians from the war torn country.

On Sunday the West German Government chartered a Panamanian aircraft to ferry 74 West German nationals mostly women and children, from Managua to safety in San Jose. Seats on aircraft out of Nicaragua have been difficult to obtain for some days.



CAB may lift threat of anti-trust sanctions

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE WORLD'S scheduled airlines may win a reprieve from a threat by the U.S. Civil Aeronautics Board to impose anti-trust sanctions on them.

The threat was first made by the CAB, the governing body of U.S. civil aviation, last summer. At that time it said it wanted the airlines, through the International Air Transport Association (IATA), to "show cause" why they should remain exempt from the U.S. anti-trust laws, especially where fixing fares is concerned.

The implication was that if the airlines could not prove to the CAB's satisfaction that they deserved such immunity, it would be withdrawn, thereby opening them to severe penalties under U.S. law.

Since then, the CAB's "show cause" action has been attacked vigorously by more than 45 foreign governments and more than 40 airlines, all pointing out that the CAB was trying to influence international civil aviation affairs without justification.

Earlier this year, the CAB said it wanted the world's airlines to present their arguments by late summer, so that it could take a decision on the "show cause" order by September.

Now, however, the State Department, acting under pressure from foreign governments, has asked the CAB to delay any action for at least another year, until late summer 1980, to give more time for the matter to be discussed internationally.

Under such circumstances, the CAB seems likely to have little alternative but to agree, thus removing the threat of punitive action against the world's airlines this year.

China may postpone indefinitely Japanese chemical projects

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

[C]HINA MAY postpone indefi[nit]ely the implementation of [tw]o out of four contracts signed [wi]th Japanese companies for [th]e construction of two 300,000 [to]n ethylene plants, depending [on] the outcome of talks now [un]der way in Peking with the [co]ntractors.

It has not, however, issued [ca]ncellation notices for the [co]ntracts according to the com[pa]nies concerned.

The four petrochemical con[tra]cts, valued at $510m, were [am]ong 22 contracts worth [$3].9bn whose implementation [wa]s delayed early this year as [a] result of Chinese payments [pr]oblems and the revision of [ec]onomic development plans.

The main contractor for the four is Toyo Engineering in association with C. Itoh (for three contracts) and Mitsui (for one contract).

The three Japanese companies have had representatives in Peking for the past ten days discussing the contracts. The main purpose of the discussions has been to work out deferred payment financing arrangements to replace the original cash payment terms on which the contracts were signed.

Japanese businessmen said that if China were to postpone or cancel two out of the four contracts the prices of the remaining two would have to be revised upwards.

Preliminary accord on procurement signed

TOKYO — Japan and the [U.]S. have reached a preliminary [ag]reement expanding the [am]ount of Government con[tra]cts open to foreign bidding.

Mr. Robert Strauss, the U.S. [Ch]ief Trade Negotiator, said he [ini]tialled a joint statement with [Mr]. Nobuniko Ushiba, his [Ja]panese counterpart, calling [on] each country to reciprocate [in] the level of Government [pr]ocurement contracts to be [op]ened.

Mr. Strauss said the precise [lev]els remain to be worked out, [bu]t suggested the pact answers [U.]S. demands that Japan widen [th]e access of foreign manufac[tur]ers to its huge domestic [ma]rket.

The joint statement signifies [tha]t the U.S. and Japan have [agr]eed to ease the tensions that [ha]d mounted over the trade balance in Japan's favour, in [tim]e for the economic summit [me]eting to be held here late [thi]s month.

Japan has said it will [acc]elerate tariff cuts agreed [du]ring the recently concluded [To]kyo round of trade talks by [ma]king cuts planned for 1980 [and] 1981 all in 1980.

The Japanese side also said it would "agree to seek to encourage U.S. coal imports into Japan," but there was no mention of how much coal was under discussion.

Meanwhile a group of four Japanese steel companies has reached basic agreement to export about 290,000 tonnes of large calibre steel pipes at undisclosed prices to the Soviet Union between July and December.

The four are Nippon Steel, Sumitomo Metal Industries, Nippon Kokan and Kawasaki Steel.

● Ishikawajima-Harima Heavy Industries (IHI) has received an order to build a 250,000 dwt oil tanker for Idemitsu Tanker Company.

IHI refused to give further details, but it is understood the tanker will cost Y10bn (£22m).

IHI said this is the first order for a large tanker placed in Japan for three years.

Hitachi Shipbuilding and Engineering has received an order for a 170,000 dwt tanker from Nissho Kisen Kaisha. It is expected to cost Y7bn (£18m).

Reuter

Israel to propose $30bn Middle East loan fund

BY MAURICE SAMUELSON

[A] BLUE print for a $30bn deve[lop]ment fund for the Middle [Ea]st will be presented inform[all]y this week at the Bank of [Int]ernational Settlements at [Ba]sle by Mr. Arnon Gafny, [Go]vernor of the Bank of Israel.

Comparing the proposed fund [to] the "Marshall Plan" of post[wa]r Europe, he said its primary [ai]n would be to ease the huge [bu]rden of foreign debt accumu[lat]ed by the Middle East [be]lligerents over the past 30 [ye]ars.

If adopted, the Middle East [wou]ld strive for an annual [gr]owth rate of 15 per cent, and it [wou]ld contribute to a settlement [of] the refugee problem. Since [the] 1973 war, Israel's growth [rat]e had fallen from about 10 [pe]r cent a year to 5.2 per cent [in] 1978.

Israel's war debts were about [$1]2bn and Egypt's were esti[ma]ted at $10bn. In Israel, whose [ow]n population were only a tenth [of] Egypt's, this meant a per [ca]pita burden of $3,500.

Western supporters of the [fu]nd would serve their economic [an]d political interests — by [str]engthening the area's stability [wh]ile their own industries could [pa]rticipate in large infrastruc[tur]e projects.

According to Mr Gafny, the fund would have to be launched by the U.S., Egypt and Israel, but could then win support from Western European countries, Japan and other Arab States which might join the peace process.

In the first stage, the fund would consist of long-term development loans to Egypt and Israel in the form of recycled debts. The first $15bn could be mobilised in the 1980s from the U.S. and other industrialised countries.

Subsequently, a further $15bn could be raised through co-financing by commercial banks in member countries, as well as by the World Bank and International Monetary Fund.

In the next three years, Israel would face very heavy expenditure because of the need to redeploy her army from Sinai. But eventually lower government expenditure would be the key to cutting inflation, currently running at 70 per cent.

Meanwhile, Israel had a favourable climate for investment, especially since the relaxation of foreign exchange controls in October, 1977 which boosted Israel's reserves by $1½bn, or about 50 per cent.

South American summit discusses co-operation

BY KIM FUAD IN CARACAS

[VE]NEZUELA, COLOMBIA, [Ec]uador, Peru and Bolivia have [ag]reed to direct greater efforts [to]wards economic and political [int]egration in the 1980s through [th]e Andean Common Market.

The Heads of State of the [fiv]e South American nations [he]ld a three-day summit meet[in]g last week in Cartagena, [Co]lombia, to evaluate progress [ac]hieved since the Andean Com[mo]n Market was established in [19]69.

Its fundamental goals are to [lo]wer tariff barriers and plan [in]dustrial development.

The five Presidents signed [fou]r documents calling for [inc]reased efforts to accelerate [int]egration; strengthening of [th]e Latin American Economic [Sy]stem (SELA); the establish[me]nt of a tribunal to enforce [co]mmitments and regular sum[mi]t meetings, starting next year [in] Caracas.

Industrial programming, which has caused rivalries in distribution of production of petrochemicals, metal works and automobiles, will be revised to take into account the idiosyncrasies of each of the five nations' economies, under the Cartagena agreements.

The Heads of State promised to give the private sector an enlarged role in planning, but apparently did not take into account Venezuelan businessmen's complaints of unfair treatment.

Ten days before the summit, Fedecamaras, Venezuela's most influential private business organisation, handed President Luis Herrera Campins a document claiming Venezuela, the Andean Common Market's most prosperous member with 45 per cent of the bloc's joint gross national product, is gaining little or no benefits.

Uganda ready to resume imports

BY JOHN WORRALL IN NAIROBI

[M]R. SAM SEBAGEREKA, [U]ganda's Finance Minister, has [an]nounced that foreign [ex]change will soon be available [fo]r import transactions.

According to Uganda Radio, [he] told a weekend rally that the [fo]reign currency balances "looked encouraging." Foreign trade transactions were halted when the new government took over in Uganda in April.

Mr. Sebagereka said recently that available foreign reserves were in the region of £10m but recent sales of coffee may have led to some improvement.

Soviet help for Indian steel plant

NEW DELHI—India Said it is to set up a steel plant, its seventh fully integrated unit, at Vishakapatnam on the east coast with Soviet technical and financial help.

Mr. Biju Patnaik, the Indian Steel Minister said the $2.75bn unit would be capable of producing 1.3m tons of steel a year four years after work starts. The plant capacity will later be expanded to 3.5m tons of steel a year.

The Vishakapatnam unit and planned expansion on three other steel plants will take India's steel-making capacity to 14.6m tons in 1982-83 and to 20.6m tons by 1988-89 from 11.4m metric tons this year.

At least two units similar in size to the Vishakapatnam plant are being negotiated. Mr. Patnaik recently told the Indian Parliament that discussions were under way with West Germany, the U.S., Romania, Austria and France for the next two plants. Mannesmann Demag of West Germany, he said, has submitted a financing plan—while preliminary discussions have been held with Davy International and British Steel.

These plants include finance and technology as part of the package and may include buy-back arrangement as part of the payment of credits.

AP-DJ

WEST GERMAN INDUSTRY

Concern over capital goods exports

BY GUY HAWTIN IN FRANKFURT

WEST GERMAN capital plant manufacturers saw orders increase by a hefty 28.5 per cent last year. Despite this, they are deeply concerned about the industry's prospects because of its heavy reliance on exports, a large proportion of which goes to politically volatile countries.

Annual reports on the industry, produced by the capital plant construction section of the W. German Mechanical Engineering Association (VDMA) said that bookings last year totalled DM 14.5bn ($7.59bn). This compares with the comparatively weak inflow of DM 11.31bn in 1977.

But while this growth rate may seem dramatic, the 1978 inflow lies only slightly above the previous high of DM 14.06bn, recorded in 1976. Furthermore, the VDMA points out that manufacturers are worried as some 82.8 per cent of all orders came from abroad.

"The export quota . . . . underlines the heavy dependance (of the industry) on overseas sales, a factor which, because of recent political developments is not without problems" the report comments.

"For instance, the events in Iran indicate that the sudden political change could have an unhealthy effect on contracts already signed or lined up for industrial plant construction. Similar developments in other countries could also cause serious setbacks to the German capital plant manufacturers.

The report welcomes the growing importance of China as a customer but it warns that although the potential demand from China was "immeasurable" the build up in orders could only realistically be made in small steps. Chinese orders therefore could not be expected to offset lost orders in other markets.

An analysis of the domestic market graphically illustrates the industry's dependance on exports. Home orders were up 28.6 per cent to DM 2.5bn — indicating a slight improvement in domestic readiness to invest.

However home bookings as a proportion of total orders remained at 17 per cent. At the same time, home sales were virtually unchanged at DM 2.63bn. The sectors of the industry showing the most powerful growth were the chemical plant manufacturers and power station constructors.

Foreign orders on the other hand, rose 28 per cent to DM 12.03bn, compared with the previous year's relatively weak DM 9.37bn. Even so the order volume lay somewhat below the 1976 level because of increased international competition said the report.

An important factor in competition are West German wage costs in the industry. Since 1975 West German wages have rise in Deutsche Mark terms from DM 15.66 an hour to DM 20.06 in 1978. During the same period U.S. wages have risen from the equivalent of DM 16.10 an hour to DM 16.99. In Italy the rise has been from DM 10.69 an hour to DM 13.72; in Japan from DM 8.29 an hour to DM 12.15; and in Britain from DM 8.49 to DM 8.82 an hour.

Varta-Sanyo battery deal

BY OUR FRANKFURT CORRESPONDENT

VARTA BATTERIE, West Germany's largest battery manufacturer, and Sanyo Electric Company of Japan, are to co-operate closely in the Lithium - manganese dioxide battery field. An agreement between the two groups, covering development, sales and manufacture, was signed last week. Lithium-manganese dioxide batteries are used to power such things as electronic calculators, watches and clocks. In the batteries, manganese dioxide is used as the anode while lithium metal takes the role of the cathode.

Sanyo has been a front runner in the field since it announced the development of the battery in the autumn of 1975. Varta, the leading shareholder of which is the West German Quandt group, is one of the world's leading battery manufacturers.

According to a statement by the two groups, Varta's large research and development operation—which has been devoting a large part of its resources to developing new battery systems—has selected Sanyo's battery to supplement its programme.

The Sanyo battery, it claims, performs highly in terms of economics, safety and reliability. It meets all environmental requirements and there is a sufficient supply of raw materials for its manufacture.

Under the agreement, Varta will start selling the Sanyo-developed battery this year. It will follow this by manufacturing the batteries under a non-exclusive "know-how" and partnership licence from Sanyo.

Both groups are to promote the worldwide marketing development of the batteries, according to the agreement. They have also agreed to promote standardisation of the battery.

Manila looks at aid for trading companies

By Daniel Nelson in Manila

A SECOND public hearing will be held this week to allow representatives of major exporting companies in the Philippines to present their views on Government plans to establish major trading companies modelled on those in Japan and South Korea.

The hearing was set when only two companies—National Steel and Rustan Commercial—applied for trading company status out of 33 who requested application forms.

Mr. Francisco Valeda, assistant Minister of Trade, told the Financial Times that the first public hearing last month indicated that the financial incentives appeared to be adequate. The problem was companies' fears that they would be unable to meet the export growth requirements: sales must be the equivalent of $1m at the time of application, increasing to $7m in the first year, $15m in the second year and $30m in year three.

Conditions of eligibility for registration, drawn up by a committee which has been looking at the issue for two years, include a minimum net worth of Pesos 2m ($67,000), exports of at least thre eproducts rising to seven non-traditional products by the third year:

Bus and rail operators give warning on subsidies cuts

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BUS AND RAIL operators have warned the Government that any cuts in their subsidies resulting from next week's Budget will inevitably mean higher fares or reduced services.

SIR PETER PARKER
Under pressure

Anxiety has spread through the transport industries since it became clear that transport spending is likely to be reduced by between £20m and £25m as a result of economics to be announced by the Chancellor.

British Rail dismissed as "pure speculation" yesterday reports that it was considering a fares increase of between 20 and 25 per cent this autumn, but it has privately been made clear to Mr. Norman Fowler, Transport Minister, that a substantial increase is necessary.

British Rail's budget is already under pressure following the £13m cost of its winter strikes and a 9 per cent wages settlement, rather than the 5 per cent budgeted for.

Since then, it has faced higher fuel costs, amounting to an extra £19m in a full year and now the prospect of its share of public spending cuts.

The strongest political bargaining card held by British Rail is its ability to load the next round of fare increases on to London commuters.

It was barred from such a policy as a result of a Price Commission report two years ago, on the grounds that it did not possess adequate data to justify such a policy.

With the commission about to go out of existence, British Rail is not hesitating to suggest privately that commuters will feel the full force of any cuts in Government subsidy, which amounted to £436m last year.

NORMAN FOWLER
Private warning

Its Inter-City business is still growing ahead of expectations this year and there is reluctance to disturb the progress of what are regarded as marketing successes.

Before the election, British Rail's internal figures suggested a possible 8 to 10 per cent fare rise this autumn.

Although the rail board meets to consider pricing on Thursday, it is unlikely that a firm decision will be taken until after the Budget.

The Confederation of British Road Passenger Transport, which represents bus operators, has written to the Prime Minister and other Cabinet ministers expressing alarm at impending cuts and the fuel shortage.

Mr Denis Quin, director-general of the confederation, said that if local authority spending cuts were fed through to public transport, fares were bound to rise faster than inflation if services were not cut.

"We have just reached a period of reasonable stability after a period of falling passenger traffic and there is no doubt that cuts will undermine this stability," he said.

Mr Quin said that a new study had suggested some operators would be facing a 20 per cent increase in operating costs from this October as a result of Britain adopting a further series of EEC drivers' hours regulations.

"We are caught in a double vicious spiral, which is being made worse by a fuel shortage which has already caused cuts in many small operators' services," he said.

Beryl oil field plan agreed

By Kevin Done, Energy Correspondent

THREE U.S. oil companies and the British Gas Corporation are understood to have reached agreement to develop the North Beryl oil field in the North Sea.

The group, which includes Mobil as operator, Texas Eastern and Amerada Hess, is expected to file a development plan with the Department of Energy next month.

If early approval is given, the field could be in production by the summer of 1982.

The North Beryl field is in block 9/13 to the east of the Orkney Islands. It is in the same block as the existing Beryl Field, which came on stream in June, 1976 and is producing at about 100,000 barrels a day.

It has estimated recoverable reserves of 250m-300m barrels of crude oil, making it one of the smaller commercial finds in the North Sea.

The Mobil group has considered various development methods, including the use of subsea wellheads, but it is understood that it has opted finally for the well-tried North Sea technology of using a fixed steel platform.

Fierce

The project will provide an important boost for the UK offshore supply industry which is searching hard for new orders, and there is certain to be fierce competition between the steel fabrication yards in Scotland and competitors on the Continent for the Mobil contract.

Oil from North Beryl is likely to be tapped through a short connecting pipeline to the nearby Beryl A concrete platform. The oil can be stored at Beryl A, where there is spare capacity, before being loaded offshore into tankers.

At present the Beryl Field tankers are loaded through a mooring buoy anchored to the sea-bed, but it is unlikely that the present buoy could cope with the extra production from North Beryl without radical modification.

Block 9/13a is one of the most intensively explored areas of the North Sea. To date 20 wells have been completed at a cost of well over $100m. The whole block is thought to have recoverable reserves of 600m-700m barrels of crude oil.

The Department of Energy is considering only one other possible field development plan. A group led by Amoco is seeking approval to develop the North West Hutton Field to the east of the Shetlands. A third application is likely this summer, however, from the Marathon group for the development of part of the Brae Field in the central North Sea.

ITV wins big share of racing in £2m deal

BY UNDERTAKING to pay £2m over the next three years Independent Television has secured a major share of Britain's flat racing coverage. It has exclusive rights for Epsom, Sandown Park, Kempton Park, Newmarket, Doncaster, York, Ayr, Newcastle, Redcar and Catterick.

Over the last few months negotiations have been going on between racecourse owners and both the BBC and ITV on future arrangements. ITV has managed to secure exclusive contracts for coverage at all United Racecourses' tracks. Until now the BBC has traditionally covered racing from Kempton Park.

The deal means that of the 12 Group One flat racing courses in Britain, Independent Television has exclusive rights for eight. Of the premier National Hunt courses ITV has five out of 10. The situation in this case is a little different from that in the much-argued English Football League contracts. Since the negotiations were open and the BBC was involved, there was no question of the Office of Fair Trading stepping in.

The deal in theory does not affect the BBC televising the Derby, which, as a national event, is forbidden for an exclusive contract. However, since the ITV deal gives the commercial companies exclusive rights for foreign sales of any footage shot, it would mean that the BBC would be involved in enormous expense for very little return in covering a single event.

ARTHUR HANCOCK, general manager of Jackson's of Piccadilly, stands outside the shop which is to close next month, after 130 years.

The Queen's grocers closes on July 7 and its 68 staff will lose their jobs.

Jacksons blamed the closure on rising prices and renewal of the building's lease at an inevitably higher rent, but the company is to continue its successful tea merchanting business.

Seventh Atlantic phone link by 1983

BY JOHN LLOYD

A NEW trans-Atlantic telephone cable—the seventh—is to be laid in a joint operation by the UK, U.S. and French telecommunications authorities, and will cost £100m.

The major British contractor will be Standard Telephone and Cable, the UK subsidiary of the U.S.-based International Telephone and Telegraph (ITT). It is thought that the U.S. contractor will be American Telephone and Telegraph (AT&T), while the French is likely to be CIT-Alcatel.

The new cable will carry 4,000 simultaneous calls, increasing trans-Atlantic capacity by about 50 per cent. It is due to come into service by 1983.

The cost is being borne equally by the North American and European sides. Britain has the largest share of the European side—22 per cent—and there are 16 other participants. There are seven North American participants, of which AT&T is the largest with 40 per cent.

Telephone traffic between the UK and the U.S. has been growing at between 15 and 20 per cent throughout the 70s, making it the world's busiest transoceanic link. Some 20m calls are now made annually between the two countries.

The early 1980s will also see the launching of a new Atlantic telecommunications satellite, Intelsat V, with 12,000 telephone circuits, though not all of these will serve the North Atlantic.

Gold share unit trusts top table

By Eamonn Fingleton

UNIT TRUSTS specialising in gold shares are top performers in the industry's league tables so far this year, according to Planned Savings magazine.

Britannia's Minerals Trust, which is wholly invested in gold mining shares, is in first position for growth in the first five months, with a gain of 47 per cent in its offer price. Britannia's Gold and General trust, with a similar investment policy, is in third place.

Their performance reflects the buoyancy of the gold price in the wake of the energy crisis. Worries about energy have also helped other funds investing in commodities and energy industries which make up one-third of the 30 top-performing trusts.

Funds specialising in the British market make up most of the rest of the top places, reflecting the London stock market's relative strength.

The Schlesinger Property Shares Trust is the top British fund, second in the overall league table.

Henderson Capital Growth and Henderson Financial are in fourth and fifth positions.

The five worst-performing trusts are funds specialising in Far Eastern shares run by the Crescent, Allied-Hambro, M & G, Save and Prosper and Midland Drayton groups.

Sir Keith likely to ease Finniston Inquiry fears

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

FEARS THAT the Finniston Inquiry into the engineering profession might receive scant attention from the Government seem likely to be allayed by the interest that Sir Keith Joseph, Industry Secretary, has for the subject.

The report is not likely to be delivered to Sir Keith before September, followed by publication probably in mid-October. Its proposals are expected to form the basis of considerable discussion because of Sir Keith's interest, although the technique of appointing a committee of inquiry for this purpose is not likely to have any appeal for him.

The most controversial recommendation expected to be contained in the report—much of which has been almost agreed upon by the committee—is the setting up of a supervisory and regulatory body which is going by the name of the British Engineering Authority at the moment.

The body would specify the type of degree which would lead to an engineering qualification, maintain a register of engineers, and also carry a policing function. The committee views the present voluntary regulations by the engineering institutions as being insufficient in this respect. The point at which a person had gained sufficient education, and experience, to become a registered engineer, however, may not be easy for the committee to decide.

The composition of the authority has also not yet been finalised. The feeling is that some authority members would have to be appointed by the Industry Secrtary, at least in the first instance. But the committee is anxious to get employer involvment in the authority as well, which would need to get the backing of th Confederation of British Industry in some way.

As well as acting as a statutory register of engineers, the authority would also have a role in maintaining the interest in the whole subject of engineering and manufacturing industry. But it would be expected to do this more by encouraging existing mechanisms, such as the National Economic Development Office, in promoting links, than doing the job itself.

Some of the committee, including Sir Monty Finniston, had been anxious to stress the difficulties imposed on the status of engineering by the financial and fiscal climate. This has now been largely rendered unnecessary, however, by the Government's pledges to work towards changes in the environment. But mention is likely to be made of the need for more venture capital so that engineers can use their skills in setting up enterprises of their own.

The report will also recomment that more companies introduce manpower audits, following the committee's discovery that there is a surprising lack of information among some companies about their engineering manpower.

Such audits would be expected to lead to personal development paterns, and relating manpower to forward product plans. The commitee believes that too many companies use their engineers as a commodity rather than resource to be carefully developed.

NUS president moves in university row

MR. TREVOR PHILLIPS, president of the National Union of Students, is to intervene in the row at Sussex University which is threatening to bring all teaching there to a halt later this week. He is to visit the university today where a student union meeting is to be held following the expulsion of two students for disrupting examinations.

The NUS said yesterday that Mr. Phillips will meet union officials and Richard Flint, one of the expelled students, the university union president.

Mr. Flint and Shaun Fensom, the other expelled student, were expelled after helping to disrupt the re-sitting of preliminary science examinations.

Students have been campaigning for two years for the abolition of the examination which they claim should be optional.

The two students say they have been victimised because they profess to be anarchists. They intend to attend today's student meeting despite the ban. The university says the two students were expelled because they violated the charter of the university.

Garages accused of hoarding

SOME PETROL station operators seemed prepared to hoard petrol in their underground tanks in the hope there would be another price rise next week, the London regional manager of the Swan National petrol station chain alleged yesterday.

Mr. Eric Smith also drew attention to differences between the 95.5p a gallon his company was charging for four-star and alleged practices by other operators in charging £1 and more.

"People who are selling it at £1 or £1.05 a gallon are just cashing in on the panic they are creating," he said. On 95.5p there was about 3.8p profit. "Any increase above that goes straight into the garage owner's pocket and not to the oil company.

"There is a shortage of petrol and we are all on allocations, but by closing from, say, 11 pm until 6 am, we are making it last."

Holidaymakers were warned yesterday by the English Tourist Board that "impulse travel" during the present petrol stortage was imprudent and that they should not set out unless they were certain of somewhere to stay.

"The fuel shortage is not going to go away. Holidaymakers should make firm plans immediately."

Lease brokers trying to form an association

By Michael Lafferty

THE LEASE BROKING subsidiaries of two City moneybrokers have launched a move to form a lease brokers' association.

Prime movers are R. P. Martin Leasing and Fulton Packshaw Leasing. They are inviting all prospective members of the proposed association to a meeting at 3.30 pm on Friday at Fulton Packshaw's offices.

One of the organisers said the association was necessary to regulate the lease broking market.

Sherry losing popularity

SHERRY DRINKING is declining in popularity, according to a survey by NOP Market Research. Red and white wine, however, is rapidly gaining in popularity and 58 per cent of the population now drink it.

Sherry was at its peak in 1972 when 70 per cent of the population drank it, but the survey found that the number of sherry drinkers has droped to 59 per cent.

Accounting body likely to adopt new investment rules soon

BY MICHAEL LAFFERTY

THE ACCOUNTING Standards Committee, the rule-making body on UK accounting matters, is expected to adopt new rules soon for the treatment of investments in associate companies.

When one company holds an associate stake in another it is able to include a proportionate share of the associate's results with its own; in the case of other investments only dividends received may be taken into account.

This follows a review of the existing accounting standard SSAP 1, on associate company accounting. The review was set up last year under the chairmanship of Mr. Martin Gibbs, senior research partner at Philips and Drew, the London stockbrokers, following controversy about some companies' accounting practices.

The question the review panel had to answer was how associates should be defined, and in particular whether a stake of 20 per cent or more by one company in another automatically made one the associate of the other, and vice versa.

The panel has concluded in favour of a formula which says that an associate relationship is presumed to exist when one company holds 20 per cent or more of another. The presumption is rebuttable, however.

On the other hand in the case of holdings of less than 20 per cent there is a presumption of no associate relationship, which is also rebuttable. The degree of proof required to prove association would include an affirmative statement from the Board of the associate.

The present accounting standard only includes the 20 per cent rule as a guideline, and a number of companies treat smaller holdings as associates. One example is Midland Bank's holding in Standard Chartered Bank, which amounts to 16 per cent of the Standard Chartered equity.

Plea to Minister over Green Belt policy

THE NATIONAL Housing and Town Planning Council has asked Mr. Michael Heseltine, the Secretary of State for the Environment, to reverse his predecessor's policy on the Metropolitan Green Belt which threatened to cut it by half.

This policy was to remove restrictions on development in those parts of the Green Belt not formally approved. Much of the present area has only interim approval, or is operated by local government.

Mr. Shore, when Secretary of State for the Environment, said that classification of such land as Green Belt in structure and local plans required special justification.

The letter to Mr. Heseltine points out that his own constituency borders on land in the most threatened category. The NHTPC wants a reversal of policy to save the heritage of the Green Belt, which it regards as fundamental to Britain's planning achievement.

Grenside discipline plan backed

By Michael Lafferty

CHARTERED ACCOUNTANTS in England and Wales have voted overwhelmingly for a new disciplinary system for the profession. Similar votes have come from the Scottish Institute and the Association of Certified Accountants.

The scheme was recommended by the Grenside Report after extensive criticism of leading accounting firms in a number of Department of Trade reports.

Accountants say that implementation of the Grenside proposals would make accountancy the only profession in the UK which had taken power to discipline members for incompetent work.

The proposals are for a joint scheme by the accountancy bodies to inquire into and make findings on the professional conduct, efficiency and competence of both members and firms in any circumstances which give rise to public concern.

Other features of the procedure include lay representation and the possibility of unlimited fines on accounting firms.

Frozen food in schools 'more economical'

FROZEN FOOD in hospitals and schools could save the Government hundreds of millions of pounds a year—partly by axing thousands of ancillliary workers' jobs, according to a research team at Leeds University.

Ross Foods is supplying factory pre-packed meals which, it claims, are cheaper than those prepared on the premises.

At least three local authorities are experimenting with frozen food and more than 70 per cent of the 104 social service departments now use frozen foods for their Meals on Wheels services and lunchbox clubs for the elderly.

The Department of Education and Science said local authorities were aware of the savings which can be made by using frozen food, "but their adoption is entirely up to the local education authority."

Each day more than 5½m children eat at chool. Each meal costs 53.5p, but only 17p is spent on food.

A saving of only 2p a meal, say the team, would net more than £225m a year with the need for fewer staff and their wages on top.

The Leeds University research team has found "that frozen convenience foods are as nutritional as school meals prepared by traditional methods."

Press Bill attacked

ALLEGED moves to gag South Africa's Press were in London yesterday attacked by the International Press Institute, an organisation of about 2,000 leading editors and publishers in more than 60 countries.

The Institute said it hoped that the implications of the Advocate General Bill would be recognised by all MPs of whatever party who were concerned about the democratic principles of responsible government and democratic accountability.

The passing of the Bill would mean the end of any kind of Press freedom, it said. The Bill has already passed its Second Reading in the South African Parliament.

Bob Monkhouse accused of films fraud plot

MR. BOB MONKHOUSE, the comedian, heard a barrister praise his services to happiness and humanity as he stood in the Old Bailey dock yesterday.

The comedian, charged in his full name of Robert Alan Monkhouse, of Eggington, near Leighton Buzzard, Beds., and Mr. Anthony Peter James Scott, of Woodhurst Road, Acton, West London, deny charges of plotting to defraud film distributors of hiring fees.

Hiring

They were accused of conspiring together and with others unknown between January 1, 1975, and October 8, 1976, to defraud Columbia, Warner Distribution, the Film Distributors 16 mm Association, 20th Century Fox Film Co., and other film distributors of hiring fees for 16 mm film imported and to be imported from the Channel Islands.

Monkhouse alone denied four other charges. These were that between December 1, 1966, and July 12, 1977, he conspired together with others unknown to defraud United Artists Corporation, 20th Century Fox, the Film Distributors 16 mm Association and Ron Harris Cinema Services of hiring fees for Carmen Jones and The Day the Earth Stood Still.

That between December 1, 1966, and July 12, 1977, he conspired with others unknown to defraud United Artists Corporation, Film Distributors 16mm Association and Ron Harris Cinema Services of hiring fees in relation to the film I Could Go On Singing.

That between similar dates he conspired with others unknown to defraud 20th Century Fox and the Film Distributors 16mm Association of hiring fees in relation to The Three Musketeers, and that between the same dates he conspired with others unknown to defraud United Artists Corporation, the Film Distributors 16mm Association and Ron Harris Cinema Services of hiring fees in relation to the film Goldfinger.

Scott alone denies conspiring with persons unknown between January 1, 1975, and October 8, 1976, to defraud Columbia Warner Distribution, 20th Century Fox, Cinema International Corporation UK, United Artists Corporation, Walt Disney Productions, Rank Film Services, and other film distributors of hiring fees in relation to Mediterranean Cruise, The Culpepper Cattle Company and The Bride of Frankenstein, and films referred to in documents found in his possession on October 7, 1976.

Copyright

Mr Michael Worsley, prosecuting said it was alleged that Mr Monkhouse and Mr Scott agreed to deal in films dishonestly in a way which would expose to risk of loss and perhaps cause loss to the copyright holders and people who held distribution rights from them.

He said the jury would hear a lot about dealings by the two men with each other and by Mr. Scott outside his connections with Mr. Monkhouse, and they would hear too about Mr. Monkhouse's collecting.

"No doubt in many of the dealings and the collecting there was a lot of perfectly unobjectionable activity," he said. "It is only in a limited part of their activity that the prosecution make camplaint."

Turning to look at Mr. Monkhouse, Mr. Worsley said: "It would be idle to say that no one in court does not know him. He has given happiness and entertainment to millions of people for many years."

He said it was most unhappy that the comedian should now be in a court dock, but if there was a case to be considered against him the jury would wish Mr. Monkhouse to be treated as everyone else. The case continues.

Roman cage cup sold for £½m

SALEROOM

BY ANTONY THORNCROFT

A LATE Roman cage cup, or "dietretum," sold for £520,000 at Sotheby's yesterday, easily beating the previous auction record for an item of glass, £75,000 paid in October for an Italian goblet.

The cup, dating from about 300 AD, is the only complete one left in private hands. Just five others are known and they are in museums.

A 10 per cent buyer's premium must be paid on the hammer price, plus VAT of 0.8 per cent on the premium. The buyer was Robin Symes, a London dealer, presumabaly bidding for a client.

The dome shaped whitish glass cup, 7¼ inches in diameter and 4 inches high, was the highlight of the first day of the sale of the collection of ancient glass assembled over the past two decades by Andrew Constable-Maxwell, who is Scottish and lives in witzerland. It is thought to be the finest collection to be sold at auction for 50 years, and the first day total neared the £900,000 mark.

Robin Symes was an active buyer. He paid £35,000 for a Roman olive green glass mould-blown beaker of the first century AD and £13,000 for a pale green hemispherical bowl of the same period. Other high prices were the £14,000 for a Roman "gold band" glass alabastron of around the 1st century BC; £12,000 for a Roman blue glass jug of 1st century AD; and £10,500 for a large green-mould-blown head flask 2nd-3rd century AD.

Christie's yesterday held its first sale in Scotland since it acquired the Glasgow saleroom of Edmiston's. It consisted of the important collection of Scottish paintings, the property of the late Mrs. M. C. Wemyss Honeyman, and 16 of the 35 artists represented established new auction records. The total was £230,195 with all lots sold.

The top price, and twice the previous record, was the £13,500 for a still-life by Samuel Peploe paid by the Fine Art Society which also acquired "The last turning, Moniaive" by James Paterson for £12,500 and "Harvest near Cowden" by William McTaggart for £11,000. Another McTaggart, of children in a boat, fetched £10,000.

Sinclair Radionics near decision on Microvision future

BY JOHN LLOYD

NCLAIR RADIONICS, the ambridgeshire-based electro- .cs company in which the ational Enterprise Board has majority share, is in the clos- g stages of negotiations with a umber of companies on the iture of its Microvision pocket -levision production.

An announcement on the icrovision—the first miniature pocket" TV in the world—is spected in about a week. Last eek, the National Enterprise oard announced that Sinclair id been split into two divisions -consumer electronics (the icrovision) and industrial in- ruments, largely the multi- eter range.

It is expected that the indus- ial instruments, with pocket lculator production, will be ept under the NEB's wing for e time being, while the Micro- sion production will either be ought out by an independent, that the NEB will form a int venture for the production Microvisions with a third mpany.

The board has already invested some £4.5m in Sinclair, and last year saw losses of £1.96m on sales of £6.39m.

Fresh capital is now required to set up a new tube production line for the next model of the set. The company cannot afford the investment itself, while the NEB is clearly not prepared to pump more money into it.

The Microvision was introduced as an international model 18 months ago, largely in the U.S. Sales were lower than expected, and early this year, the company introduced a UK-only version, selling at under £100.

Mr. Michael Pye, Sinclair's managing director, said yesterday that the company was "very pleased" with the sales of the UK-only Microvision.

The multimeter range, which was successful at the low-price end of the market, has been expanded. There are now four models available.

The company has now virtually ceased production of cheap, hand-held calculators, and is concentrating on the scientific, programmable type.

Cost-cutting companies get secretaries warning

BY COLLEEN TOOMEY

OMPANIES attempting to cut sts by asking executives to are a secretary are often tting themselves in for a "tug- -war" between colleagues, cording to a survey carried it in 86 London businesses.

The survey, carried out by irt Time Careers, claims that per cent of the companies terviewed employ part-time aff. Of the total, 40 per cent reed that executives preferred would prefer their own rmanent part-time secretary sharing a full-time secretary th a colleague; 28 per cent sagreed and 32 per cent were n't knows.

The survey also showed iddle-aged secretaries were ore accepted by the companies an young women; even pen- oners received a moderate ow of hands with 27 per cent those surveyed claiming they uld consider employing a nsioner.

It was also agreed that rmanent part-time staff are ore usefully employed than temporary staff in filling gaps and 57 per cent say that part-timers fulfilled the same work standards and were as reliable.

Shoe deliveries increase 5%

By James McDonald

FOOTWEAR DELIVERIES in the first two months of this year, at 26.2m pairs, were 5 per cent more than in the same period of 1978, according to the British Footwear Manufacturers Federation.

Employment in the manufacturing industry in February was stable, says the federation, with overtime still well in excess of short-time working. Early returns show that the retail trade was less buoyant in March.

In the year to March, leather prices in the industry rose by 35 per cent.

Warning to Tories on oil price dangers

By David Freud

IT IS important that the Conservative Government avoids the dangers of combining restrictive monetary policy with a loss of control of fiscal policy in the wake of the oil price increase, according to the London Business School Centre for Economic Forecasting.

In its latest economic outlook, the centre estimates that the adverse impact of the current round of oil price increases is about a third of that in 1974.

Of the reaction to the earlier round the centre says that while in retrospect the squeeze on real money supply in 1974 and 1975 was too savage, the real culprit was the threshold payments system and earlier monetary growth.

The lesson for the present is the danger of trying to prop up demand with extra purchasing power, while squeezing the monetary front — particularly when interest rates could already be rising due to inflationary expectations.

Problems

The centre argues that the Government should continue to aim for a public sector borrowing requirement well below the levels that are likely on the basis of present policies.

"They should also avoid relying upon financial adjustments to do too much of the job—this bears a weak resemblance to the problem period in 1974 of constantly taking the required sum from the company sector."

The centre concludes that the next 12 months could be difficult as the world works out the pressures from the new oil price shock. That is no reason to abandon the medium-term target of a reduction in both monetary growth and in the PSBR as a percentage of output, it says.

"If this policy is now abandoned the inflationary ratchet will then have been hauled up another notch or two and the scale of the problem in 18 months time could look much more daunting than it does today."

According to stockbrokers Wood, Mackenzie and Co., in its latest economic monitor, the annual rate of retail price inflation will rise from the present 10.2 per cent to more than 14 per cent by the end of the year.

TEXAS INSTRUMENTS BIDS TO TAP CONSUMER MARKET

Now a talking home computer

BY MAX WILKINSON

TEXAS INSTRUMENTS, the $3bn U.S. electronics group, has ended more than a year's intensive speculation with the announcement of its plans to move into the market for home computers.

Texas has an impressive record in bringing down the price of new high technology products to a level attractive to consumers, and at the same time calculating how technology will become marketable.

The recent history of the *hand-held calculator and the* diginta1 watch are two examples. Texas has produced machines which will talk to young children with synethesised speech to help teach them to spell and many other advanced products for the consumer and professional markets.

It is launching into the personal computer market with characteristic energy at a time when most analysts are predicting a surge of demand for the new micro-computer based machines. However, the consumer market is still largely untapped.

Flexibility

Most of the existing competitors in the personal computer market are serving the small businessman, hobbyists, professional engineers and the educational establishments. Texas, appears, however, to be aiming full tilt at the consumer. Its new machine will be priced at about £645 in the UK towards the end of the year, but is likely to be selling for considerably less than that in the larger U.S. market.

The machine, designated the TI-99/4, announced in Dallas at the weekend will have programmes for home budgeting, teaching programmes, U.S. football and even physical fitness. But above all it will be able to talk. Plug in programme modules will cost between £15 and £45 in the UK.

Quite what people will do with a talking computer in their home remains to be seen.

The ability of a computer to talk obviously gives it greater flexibility for tasks in the home. As a teaching aid for young children, for example, the addition of speech to colour graphics on the screen could make the machine a powerful tool.

Even for the more sophisticated user the use of the spoken word can make a small computer seem more friendly and easy to use. It is a small step to programme the home computer to respond to simple voice commands from the owner and to recognise a limited vocabulary including the numerals.

Programmes which will accomplish this have been demonstrated by International Telephone and Telegraph on the home computer which it produces in Europe under licence from Apple of the U.S.

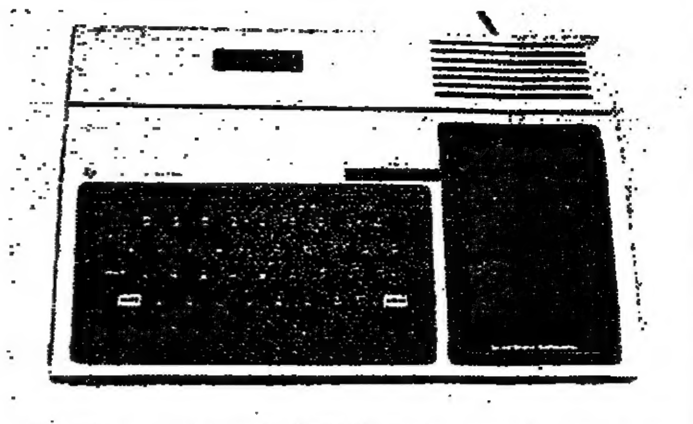
A machine which can plug into a television set, respond to an operator which is talking to it and answer back, obviously has the ability to break down the nervousness with which most people regard computers. Texas has tried to make the operation as simple as possible with its plug-in programme modules.

The company's announcement emphasises that its target is the unsophisticated person: "Although users may not be familiar with computers or programming, the modules allow individuals to use the home computer for a broad range of purposes. To access a programme, all the user has to do is plug in a particular command module and press a few keys on the console keyboard while he is prompted by the system's monitor or TV set."

If Texas succeeds in opening up a wide consumer market, it will be well ahead of its competitors.

Commodore, for example, which sold 50,000 of its PET home computers worldwide last year estimates that sales to ordinary consumers represent only a small fraction of the total. Small businesses and the education world have been much more important.

In the professional sector, the PET is doing well with UK sales averaging about 1,000 units a month at prices ranging from £500 for a basic computer to £2,500 for a more sophisticated system with magnetic disc memories and a fast printer.



The Texas Instruments TI-99/4 home computer measures only 15 ins by 10 ins by $2\frac{1}{4}$ ins deep and plugs into a TV set. It is expected to sell for about £645 in the UK.

Complicated

The PET differs from most other personal computers on the market by having its own built-in black and white television type screen. The TI 99/4, the Apple, and the U.S.'s best selling home computer, the Tandy TRS 80, all plug into colour television sets.

Tandy is reported to have shipped 100,000 units in the U.S. last year, valued at £105m, or about a fifth of the total market. Apple is reported to have shipped about 20,000 units last year in the U.S., and Commodore shipped about 25,000 units in the U.S.

Dataquest, the U.S. analysts, estimate that the total market in 1980 will have reached more than $1.2bn, of which about $300m will be accounted for by consumer sales.

In Europe the market is expected to develop more slowly. However, the sudden craze two years ago for television games and the growing interest in television based information systems like the Post Office's Prestel make it difficult to predict exactly what will happen.

The general picture is complicated by the increasing similarity of desk top computers designed for professional use with those aimed at a more general market.

Desk top machines from International Business Machines, Olivetti and Hewlett Packard, for example, are all based on the micro-processor or computer on a chip. Although they are more expensive than the home computers for general use considerable overlap can be expected in the next few years.

A home computer with a useful range of peripheral equipment is likely to cost at least £1,500. But costs are continually falling while the advance of technology opens the possibility of inherently cheaper types of memory and simpler printer units.

The key to selling the new machines to the consumer market, however, will certainly be the development of a wide range of useful, entertaining and educational programmes. That job has only just started.

Doxford to develop coal-fuelled engines

By Ian Hargreaves, Shipping Correspondent

DOXFORD, the Sunderland marine engine company, plans to develop engines using coal products as fuel.

Preliminary talks have already been held with the National Coal Board and a four-year programme of tests will start on a trials engine later this month.

Initially the trials will involve using low-grade oil fuels, but engineers are hopeful that eventually the engines will be able to burn coal in either slurry or powder form.

The research into poorer fuels is an important part of the engines division of British Shipbuilders, of which Doxford is part.

British Shipbuilders believe that after several troubled years, in which Doxford's share of the world slow-speed marine diesel market has slipped to about 1 per cent, the Wearside builder is ready to improve its position.

In particular, British Shipbuilders is pushing hard Doxford's recently developed 588mm-bore, three cylinder engine, the 58JS3, which is designed to compete with medium-speed diesels for use in smaller cargo ships.

Doxford claims that the 58JS3 uses more than 55 per cent less fuel than a medium-speed engine of equivalent power and 62 per cent less than a comparable steam turbine design.

The question of future engine-building strategy and the problem of designing for lower grade fuels will be one of the first on the desk of Mr. Leo Curran, who yesterday joined British Shipbuilders from Plessey.

British Shipbuilders is putting £1.6m into the Doxford trials engine, which will be ready for experimental use late this month.

Family Railcard promotion

By Arthur Sandles

BRITISH RAIL is spending about £250,000 to promote its new Family Railcard which is to be launched on June 17. The card, costing £10 (£5 for one-parent families) gives spouse and child fares of 50p for each unlimited distance provided one full fare ticket is bought.

It is valid for an eight-month test period until February 28, 1980.

The Railcard follows the success of other schemes, notably the Senior Citizens Railcard.

British Rail admit they have no idea of the likely response but they will review it at the end of the test period. The card can be used for any number of journeys.

Definition

As an example of the possible savings for a family of six (two adults four children) the normal fare from Guildford to Birmingham return would be £55.60, but with a Railcard it would be £16.40.

Among the problems faced by British Rail in setting up the scheme was the definition of a family. In the end it settled on the solution that whoever registers is eligible—two adults of the same sex are as valid as a Mr. and Ms.

West Midlands seeks 'a better deal'

By Our Midlands Correspondent

THE WEST MIDLANDS is looking to the Conservative Government for positive action to give the region "a better deal," Sir Robert Booth, the retiring president of the Birmingham Chamber of Commerce, said yesterday.

He welcomed the statement by the Tories that they would look at the real effects of the regional policy of successive governments. The Birmingham Chamber has argued consistently that the city has lost its growth industries to the assisted areas.

Regenerate

Sir Robert supported the Government's aim of restraining public spending. But stressed the need to fund successful projects such as the programme to regenerate Birmingham's inner city.

Continued backing for the investment programme of BL, formerly British Leyland, was also important because of the thousands of dependent jobs within the West Midlands, he maintained.

Sir Robert was speaking at the chamber's annual meeting which elected Mr. Joseph Brown, the former chairman and managing director of the Birmingham Post and Mail as its president.

CONTRACTS AND TENDERS

● NEWS ANALYSIS—THE RISING PRICE OF STEEL

BSC's battle with spiralling losses

STEEL IS going to become much more expensive between now and the end of the year. British Steel's decision to raise the prices of its flat products and sections by between 5 per cent and 15 per cent from the beginning of July is not so much a contrived marketing ploy as an admission that prices are unrealistically low.

Shortly the corporation has to make the unpalatable announcement that it lost in the region of £350m during the trading year 1978-79. That loss follows losses of £443m in 1977-78, £95m in 1976-77, and £225m in 1975-76.

The last general European price increase, arranged in July, 1978, by Lord Etienne Davignon, the European Industry Commisioner, did not enable British Steel to catch up with the increased costs it was having to bear at that time.

Since then demand for steel has remained depressed. The new round of increases has been forced upon the corporation to avoid being caught up in spiralling losses. But the extra money will not be enough to put the business back into profit. Indeed it will not even cover the rising costs of materials and labour that British Steel has experienced in recent months.

In round figures British Steel can expect to increase its sales revenue by £100m in a full year if it maintains its business at current levels at the higher prices.

Shortfall

But the increased costs the corporation is having to bear since the last price increases amount to at least £200m a year. The corporation's ambition is to make up that shortfall by getting more work out of its new plants now coming on stream, while saving money elsewhere by closing older plants.

Steelmakers in France and Italy have decided in recent weeks that higher prices are the only way out of their growing financial difficulties. British Steel is now joining that club. The West German steelmakers are cushioned to some extent because in a number of cases their integrated steel and engineering companies can offset steelmaking losses by engineering profits. But even they are expected to seek higher prices shortly.

Lord Davignon is expected to introduce a general round of steel price rises in August or September to set new minimum prices for the member nations of the Community. Whether or not the increases will be applied on top of the recent Continental increases and the new British increases will depend upon the state of the market and the degree of confidence of the steel salesmen that they can make another round of price rises stick.

Scrap

But no one can seriously challenge the steelmakers' case that they need the money. In Britain, for instance, the price of scrap steel has risen by nearly 50 per cent in the past year, while coal and iron ore prices have risen by approximately 10 per cent, oil prices are continuing to rise at a fast and unpredictable rate, and some rare metal additives have increased in price by up to 300 per cent within the past few months.

British Steel's new increases will affect about 25 per cent of its total home market volume of business.

Hot rolled sheet in coil and lengths will be raised in price by £6 a tonne with increases in charges for what the trade calls "extras"—special finishing and the like. Most customers will find themselves paying about 3.5 per cent more from July 1.

Cold reduced sheet steel will be increased in price by £9.50 a tonne representing an overall average increase of 4.5 per cent.

Galvanished sheet products (hot dipped and electro-coated) are to go up in price by between £9.50 and £14 a tonne representing increases of between 4 per cent and 7 per cent. Lead coated sheet steel is to be increased by £20 a tonne—a 7 per cent rise.

British Steel has a winner with its new paint and plastics coatings plant at Shotton, North Wales, judging by the rising demand for these products in recent weeks as the plant has built up production. It is now working flat-out. Perhaps noting the buoyancy of this special corner of the market British Steel is raising its organic coated sheet prices by between 10 per cent and 15 per cent.

The remaining flat product affected by the increases is electric steel—used for the manufacture of electric motors and transformers—which is to be increased by up to 9 per cent.

The corporation is expected to bring out a new price structure for narrow strip steel within the next three weeks. That, in turn, will result in increases in the prices of tubes.

In another sector of the market, heavy sections, British Steel will be applying price rises of up to 10 per cent.

Surcharges are being introduced from July 1 on alloy and stainless steel ingots, alloy plate, stainless steel sheet and plate, and some other special steels products to cover big increases in the prices of molybdenum and nickel.

Nickel

The price of molybdenum has soared from £6,000 a tonne to £21,000 a tonne during the past six months. Meanwhile, nickel prices have risen by a less dramatic but nonetheless significant 57 per cent.

British Steel has recovered about 2 per cent of the British market share from imported steels during the past few months and it is now reckoned to hold about 55 per cent of the market.

The private sector steelmakers have about 26 per cent and imports have about 19 per cent. The corporation is now gambling that its revised price lists are not pitched so high that a new wave of imports will be sucked in.

TGWU rejects last wage offer to building workers

BY ALAN PIKE, LABOUR CORRESPONDENT

TRANSPORT and General Workers Union delegates yesterday rejected a final pay offer made by building trades employers to 700,000 workers in the industry.

The largest building union, the Union of Construction, Allied Trades and Technicians, has indicated that it is willing to accept the proposals. But yesterday's TGWU decision casts doubt over whether it will be possible to reach a settlement by the time the current agreement expires on June 25.

Building employers, with their need to tender well in advance, are now becoming anxious for a firm indication of what their labour costs will be during the coming year.

TGWU delegates rejected the offer by a 2-1 vote in spite of a recommendation to accept from Mr. George Henderson, the union's national secretary for building and construction. Failure of union negotiators to achieve full consolidation of supplements and bonuses worth more than £15 per week appears to have been the main ground for the rejection.

Strike threat

There will now be meetings of TGWU building industry members at regional level to consider the consequences of rejecting the offer. Mr. Henderson warned that industrial action must now be considered a real possibility.

He said that he had recommended his members, in the interests of avoiding disruption in the industry, to accept the offer. The delegates, however, had decided that it would equally damage the interests of the industry to endorse proposals which they regarded as unsatisfactory.

The offer would increase guaranteed minimum earnings of craftsmen from £60.20 to £67 per week and of labourers from £52 to £57.20.

The industry's national joint council was due to meet on Thursday but in view of yesterday's decision it is uncertain whether this meeting will now take place. However, UCATT, the TGWU and the other two unions involved—the General and Municipal and the Furniture, Timber and Allied Trades Union—may take the opportunity of this meeting to review the position.

'Crown Agents insider deal' denial

MR. ALAN CHALLIS, former finance director of the Crown Agents, denied yesterday that he had been involved in "insider dealing" when he subscribed for 250 shares with money borrowed from Sassoons, the issuing bank concerned in the public flotation of Gramco Management.

Mr. Challis, who resigned his appointment in 1973, was giving evidence to the London tribunal investigating the Agents' £200m losses after their 1967-74 activities in secondary banking and property.

Assigned shares

He said that of the 1m shares to be issued 100,000 were assigned to Sassoons for allocation to clients, shareholders and employees at U.S.$10 a share.

At the time, 1969, he was a director of Sassoons, sitting on the board as a representative of the Crown Agents. This was the first public issue in which Sassoons was involved since the Crown Agents became a shareholder in it.

The managing director of Sassoons had said that the directors ought to support the issue by taking up shares in their individual capacity, to show confidence in the issue by personal subscription, and in particular because this was the first issue since the Crown Agents became shareholders. He thought this a point of importance, and that it was normal practice for the directors of an issuing house to do so.

Mr. Challis said he had no reason to doubt in the least degree that this was both customary and proper from the standpoint of commercial ethics.

He made it clear at Sassoons that he would hold the shares he bought until the market steadied, but that he did not want them long-term. Later he gave instructions for the shares to be sold, and profited by "some hundreds of pounds."

The Crown Agents participated in the issue, so the shares taken up by the directors individually were not at the expense of shares which would otherwise be taken up by the Agents, said Mr. Challis.

Subsequently the Fay Committee, appointed by the Minister of Overseas Development to inquire into the circumstances leading to the Crown Agents requesting financial aid from the Government in 1974, asked him if he considered this transaction should be classified as "insider dealing."

"I did not think so at the time and I do not think so now.

"My understanding of insider dealing is that it involves improperly dealing on the Stock Exchange, with a view to profit, by exploiting information which is not available to the public."

This was not the case in the Gramco issue. His knowledge of the issue was no more than what was contained in the public prospectus.

It was not the case that he was certain to make a profit from the investment, and still less that any profit would derive from special or privileged information.

Mr. Challis said he understood from the Fay Report that the Ministry had received advice that, contrary to what he was told, it was unusual for directors of an issuing house to participate personally in an issue; but the Ministry was apparently also told that there was nothing unethical about it.

In the report there was criticism of the transaction in the context of the principle that public office must not be the source of private profit.

"I do not consider that I acted in breach of this principle. Had I thought that any breach was involved I would not have contemplated taking up the shares."

Under the principle as he understood it all emoluments or rewards accruing to any office he held should be turned over to the Crown Agents. He observed this principle without question.

All his directors' fees and other emoluments were paid to the Agents whilst he was with them. He never obtained any private profit whatever.

In subscribing for the Gramco shares he did not see that the Crown Agents were deprived of reward due to the office of director of Sassoons, nor that there was exploitation of the office with a view to private profit.

"I took the risk of the investment personally. As it turned out I made a profit. On the other hand if the Gramco issue had gone wrong a month or two earlier than it did, then I would have made a loss."

Australia move

On the Agents' Australian property development ventures, in which according to the Fay Report they lost £33m, Mr. Challis said they thought they could not in the early days expect a profit out of rents, but that long-term they could expect substantial rent increases ultimately offsetting the cost.

The present position suggested that this view was not fundamentally wrong, and that the Crown Agents were unlikely to suffer losses from it.

Tribunal continues today.

Church arson risk growing, report says

By Eric Short

ARSON HAS joined theft and vandalism among the main threats to church property, according to Mr. Allan Grant, chairman of the Ecclesiastical Insurance Office, the leading insurer of churches in the UK.

In his statement accompanying the company's report and accounts for the year ended February 28, 1979, he described the apparently systematic setting of fires in three churches in one area of south-west London over nine days.

Two of the churches had been seriously damaged; but when the danger to several other churches was realised the company had contacted every parish in the area at risk. There had been no more outbreaks.

Booklet

The growing risk had encouraged the company to prepare a booklet on fire prevention for churches. It would be ready shortly and issued free to all parishes, Mr. Grant said.

It would concentrate on the need for commonsense precautions rather than expensive preventative measures.

Churchmen wanting more detailed advice could call on the company's surveyors who were constantly at the service of parishes.

The booklet would be similar to one issued by Ecclesiastical on theft prevention, which had been favourably received. Mr. Grant reported that theft and vandalism claims, although still unacceptably high, had declined in number and value last year. Many parishes had responded to the company's security campaign.

Claims arising from the severe winter in January and February had cost the company nearly £400,000.

Underwriting figures Page 23

NUR orders Tube strike, blocks talks

BY PHILIP BASSETT, LABOUR STAFF

TALKS SET for today between London Transport and unions representing 23,000 Underground workers to discuss pay were called off yesterday by the National Union of Railwaymen.

The NUR has instructed its 15,000 Tube members to begin indefinite strike action from June 18 over pay.

Pay was on the agenda for the routine meeting of London Transport's joint negotiating committee, but Mr. Charlie Turnock, assistant general secretary of the NUR, said that the London Transport Executive had made clear that it was not in a position to discuss wages further after the unions rejected a pay offer last week worth 10.3 per cent.

"We took the view that there was no point in going along there if we were not going to discuss pay."

Officials of the NUR, the train drivers' union ASLEF and the white-collar Transport Salarid Staffs' Association meet today to consider the unions' position.

The ASLEF executive discussed yesterday the NUR threat of a strike from June 18, which would be enough to halt all Underground services, but postponed a decision on taking part until after today's meeting.

ASLEF action is more likely to take the form of selective strikes than an all-out stoppage. The TSSA executive will consider its position on Friday.

The three unions are pressing for basic rate increases between 11 and 16.2 per cent, and for other improvements. Union officials estimate that the overall size of the claim is about 17-20 per cent.

The rejected pay offer would have given basic rate rises of 8.46 to 13.24 per cent, with an average 9.8 per cent increase in the London weighting allowance, and other improvements such as extra holidays for wages grade staff and improved differentials for supervisors and booking clerks.

It would have added £7.22m to London Transport's £70m wage bill for Tube workers.

Tories stick to shipyard redundancy pay plans

By Ian Hargreaves, Shipping Correspondent

THE GOVERNMENT is to increase payments available to redundant shipyard workers in line with Labour plans announced just before the election.

Mr. Adam Butler, Industry Minister, announced yesterday that the scheme would be extended for two years from the end of this month.

The upper limit on earnings used in calculating payments is being raised from £100 per week to £110 per week to keep it in line with general redundancy payment provision of the Employment Protection (Consolidation) Act of last year.

There had been fears inside the industry that the Conservative Government would cut the redundancy payments scheme, but the payments are clearly regarded as essential to any future plans to reduce the industry's workforce.

Mr. Butler is studying British Shipbuilders' corporate plan, which calls for a 12,500 reduction in the workforce over three years.

Payments of £6m have been given under the scheme since it began two years ago.

Union calls for aggressive policy from Post Office

MOST householders will have telephones within 10 years, Mr. Ted Webb, deputy general secretary of the Post Office Engineering Union said at the union's conference in Blackpool yesterday. New services, including electronic mail, data transmission and processing will be introduced.

Slow, out-dated and fault-prone electro-mechanical equipment will be replaced with a network providing high-speed digital switching and transmission.

Mr. Webb, in a debate on modernisation plans, said the best defence of the Post Office monopoly was to provide the customer with what he wanted at a price he was prepared to pay. He called on the Post Office to adopt a more aggressive and positive policy in developing new equipment, marketing and supply.

The union, with a membership of 120,000, has reached a provisional job security agreement with the Post Office guaranteeing members against redundancy as the changes materialise. It is also calling for a share in productivity benefits including higher pay, a 35-hour week, longer leave and early retirement.

Delegates approved the draft programme after Mr. Bryan Stanley, general secretary, said: "If you want the best job security agreement that any trade union ever negotiated, this is it — grab it with both hands."

But they rejected a crucial clause by which the no-redundancy agreement would not be effective in the event of "causes outside the concern of the Post Office." This was interpreted by some delegates as possible Government intervention, such as hiving-off the telecommunications business.

The agreement must now go back to the Post Office for further discussion and ratification.

NALGO plea to Minister over nurses' pay

NATIONAL AND Local Government Officers Association (NALGO) representatives are to ask Mr. Patrick Jenkins, Social Services Secretary, to continue the weekly payment on account made to nurses and midwives until the Comparability Commission's report is published.

The payment is due to stop at the end of July when the report on the wages of the group was to have been ready. The commission now says that it will not be able to report on August 1 as was originally intended.

The Nurses and Midwives Council of the Whitley Council for Health Service Staff is seeking an urgent reply from the Minister who has been asked to respond by June 8. NALGO's annual meeting of health service staffs will consider the position next Monday.

Ulster to sell 189,000 council homes

By Our Belfast Correspondent

THE NORTHERN IRELAND Housing Executive was told yesterday to offer all 189,000 public authority homes in the province for sale. Mr. Philip Goodhart, Minister for the Environment in Ulster, said sales should start as soon as possible in line with Government policy.

Discounts of up to 50 per cent for long-term tenants will be given. The executive may also provide mortgages of up to 100 per cent of the purchase price to those unable to arrange them from building societies.

The Northern Ireland Department of the Environment is to discuss details of the new move with the executive very shortly. Certain types of housing are likely to be excluded from the sales offer, particularly sheltered housing or homes built or converted for the disabled.

Pilkington move backed

BY OUR LABOUR STAFF

SHOP STEWARDS at Pilkington Glass, St. Helens, Lancs., yesterday endorsed the decision taken last week by union negotiators to reject a pay offer to the company's 9,700 process workers of about 9 per cent on basic rates.

The stewards met Mr. David Warburton, national industrial officer for the chemicals industry of the General and Municipal Workers' Union, and urged the company to reconsider its offer. He said that the company had failed to make a proper response to the union claim for a reduction in hours. "We seek to relate the introduction of new technology to a cut in hours," he said.

"The company's response was to get us to sign a blank cheque to cut jobs by at least 1,300. The company must think again—and quickly."

Mr. Peter Horam, secretary of the trade union side of the company's negotiating council, said that the company had to face up to its responsibilities and move towards a reduction in hours.

The rejected offer would have added £7.30 to the £63.52 basic rate. The company is preparing to open a £70m float glass plant between 1980 and 1981, employing about 400 workers. It is seeking closure at the same time of the old sheet glass plant at St. Helens, which employs about 700 workers.

Dublin ferry held in dock

THE MERSEY port was closed to shipping yesterday when 400 lock gate men stopped work over a pay offer from the harbour authority.

Among 40 ships held was the mid-day Dublin-bound ferry with 350 passengers and 54 cars. The Northern Ireland car ferry was also held.

The Leinster ferry took stranded passengers and cars to Dublin yesterday evening.

The men will return to work this morning.

NatWest's gift to cathedral

THE NATIONAL Westminster Bank has given a former area office, built about 1543 and forming part of Lincoln's historical heritage, to Lincoln Cathedral.

The keys to the Tudor building were handed to the Dean of Lincoln, the Very Rev. Oliver Fiennes, by Mr. Tom Boardman, chairman of the bank's eastern region board. The cathedral is expected to use the offices for administration.

Maids may halt antiques fair

A CHAMBERMAIDS' dispute at Park Lane's Grosvenor House Hotel in London, which threatens the antiques fair due to open there shortly, was made official yesterday by the Furniture, Timber and Allied Trades Union.

The dispute threatens the £40m Antiques Fair opening in the hotel's Great Room in a week's time. Men building display stands in the hotel are refusing to cross picket lines.

The 28 chambermaids were dismissed on Friday after stopping work over the dismissal of their shop steward. The hotel claims their strike ended when they agered to accept dismissal. But Mr. Jim Kooyman, their union assistant general secretary, said: "That isn't true. The 15 or so who were living in accommodation at the hotel were given notices to move out.

"They accepted that—and £70 for loss of accommodation. But they certainly were not satisfied with their dismissals."

Dismissals

Mr. Kooyman welcomed the support of the exhibition workers. "We don't like to involve other people, but we are hoping the hotel manager Mr. Roy Carroll will see season."

The hotel said the dismissals had definitely been agreed on by the chambermaids and in the presence of a union representative.

"Mr. Carroll had a meeting with shop stewards of the four unions representing the staff of the hotel—including the Furniture, Timber and Allied Trades Union which also represents porters and French polishers. And they all said they supported the management in their action over the chambermaids. "At the moment the hotel is running perfectly normally," the hotel's representative added.

Mr. George Lvy, art and antiques dealer and chairman of the fair, said "This is one of the greatest enterprises in the arts calendar, and everything possible is being done to see that it opens."

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● RESEARCH

Sewer gas made fit to use

AN EXPERIMENTAL gas purification unit has been developed by General Electric Company (U.S.) engineers to test the feasibility of converting sewage treatment plants and landfill sites into important new sources of natural gas.

Experimental clean-up equipment, based on semipermeable membranes, was designed to purify the methane gas produced by the natural decay of organic matter in sewage treatment plants, landfills, and even cow manure digesters.

"Product" is 98 per cent-pure methane that could be added directly to natural gas pipelines, for home and industrial use.

Laboratory-scale gas purification is under study at GE (USA) Research and Development Centre, Schenectady, New York, under a contract from the Southern California Gas Company, Los Angeles, California.

Installed at a large sewage treatment plant in Los Angeles, an experimental unit is capable of purifying 1,000 standard cubic feet of methane per day. Later this year, under a follow-on contract from the Southern California Gas Company, GE plans to build and install a larger test unit capable of processing 10,000 standard cubic feet of methane daily.

Gas produced by anerobic digestion processes at a sewage treatment plant (or a landfill) contains about 60 per cent methane and 40 per cent carbon dioxide, with trace amounts of hydrogen sulphide, water vapour, ammonia, and other contaminants. The challenge is to get rid of the carbon dioxide and other contaminants at low cost.

Clean-up membranes are selectively permeable to carbon dioxide. As the gas from the Los Angeles sewage treatment facility is streamed past, the membranes hold back the methane but allow most of the contaminants to pass through.

More development work remains to be done to demonstrate the technical and economic feasibility of the membrane approach, which could cost only one third to one-half as much as other proposed purification systems, such as molecular sieves, alkaline scrubbers, or liquid absorbents.

● DATA PROCESSING

Speeds the microfilm

LARGEST of the four banks operating in Northern Ireland, Northern Bank, has turned out to be the first purchaser of the recently announced Kodak Komstar 300 computer-output-on-microfilm machine.

The machine takes output directly from a computer and turns it into signals that move a laser beam to produce alpha-numeric characters directly on to a new type of dry film. Conventional photographic processing is eliminated.

● ELECTRONICS

Quick tests on circuit boards

AN OPTION can now be added to the Fluke International 3040A digital printed circuit board logic tester which will allow a variety of digital/analogue mixed boards such as power supplies, instrumentation amplifiers and analogue-to-digital converters to be tested quickly.

"Complex waveform conformance" is the technique used, allowing high speed, real-time parallel testing of up to 32 analogue channels and 208 digital input/output pins. This functions by comparing a reference waveform with the signal from the unit under test using a comparator. The comparison tolerance can be programmed for either an absolute voltage or a percentage.

Sinusoidal or complex waveforms of fundamental frequency up to 100 kHz can be examined; inputs can be checked at rates ranging from one per second up to 5 MHz. If the signal from the unit under test is outside the programmed conformance, an error is indicated.

Both the digital and analogue testing is performed in real-time—all signals are actively tested at the same time so that difficult system faults such as time and propagation delays, timing errors, etc., can be quickly and effectively discovered.

Complex waveforms such as those from disc servo drives, cardiac pacemakers and stepper motors drives up to ±50 volts 100 kHz can be examined.

Each analogue channel is independent and each can verify a different type of waveform.

Fluke says that programming is quick—the only effort needed is to programme the comparator tolerance and determine if there are any "don't care" conditions, in which case a channel may be masked (not examined) at a particular program step.

The company also claims that test programs can be written for hybrid PCBs in "only a fraction" of the time required by conventional hybrid automatic test equipments.

Further details from Fluke International Corporation, Colonial Way, Watford, Herts WD2 4TT (Watford 40511).

● METALWORKING

Numerical control system

FOR USE with their A-series production horizontal boring/milling machine, Giddings and Lewis-Fraser has introduced a microprocessor based numerical control system that should prove useful in small batch and other applications where full numerical tape control is not justified but where part program storage can contribute to productivity.

Known as the NumeriPoint M400 the unit is housed in a compact box with front panel that presents a cathode ray tube display and the necessary data entry buttons and controls.

Fixed cycles are keyboard-selected, the system's basic 600 block memory offering recall of up to 99 programs with provision for extension in 75 block increments to a maximum of 1,200.

Facilities include four-axes positioning with simultaneous X and Y positioning in course or fine mode, 45 degree machining, provision for dynamic imperial/metric switching with no data loss and a facility that allows feed to be held and the cycle re-started without loss of program.

The pendant mounted unit has a crt display which shows in a simple, standard format the active and buffer information, part program storage and test mode data, as needed. Included are actual command, and offset dimensions for each axis, feeds and speeds, and indication of common faults by a simple code.

More from the company at Arbroath; Scotland (0241 73811).

Fast bending machine

A COMPUTERISED unit for the manufacture of exhaust pipes from steel strip in one continuous operation is shortly to be introduced into one of the TI Group's exhaust and silencer manufacturing plants.

It will be installed later this year in a £500,000 development at the TI Manitube Silencers plant at Cheadle, near Stoke-on-Trent and will enable the company to produce, from steel strip, a continuous loop of steel tubing which is fed through a high-speed bending unit, the completed part being cut off after all the bending operations have been carried out.

Manufactured and developed by the Eaton-Leonard Corporation of Carlsbad, California, the new equipment will be capable of producing exhaust pipes at the rate of 30 ft per minute or 1,500 bends an hour.

For the first time in the tube bending industry, claims the company, the new Vector Pipeline machine will have the ability automatically to form, weld and bend different tube configurations without any change in physical set-up and without any delay in the machine sequence. Up to 50 different parts can be produced consecutively or in small quantities with the same efficiency as large batches.

TI Silencers has ordered a second pipeline, for delivery at the end of this year.

● INSTRUMENTS

Indicates the level

ULTRASONICS HAVE been combined with the silicon chip in a level measuring device, the Milltronics MidRanger, which in a number of respects can "think for itself."

Available from Hymatic Industrial Controls, Orchard Street, Redditch, Worcs. B98 7DP (0527 67841), the instrument overcomes some of the problems associated with echo return measurements and eliminates the need for manual "tuning" of the system to meet varying conditions by comparing the incoming echo to a factory set reference, adjusting the gain as often as five times each second. It can be used for detecting the levels of liquids, slurries, powders or pellets in storage containers.

The problem of spurious returns has also been tackled: the unit uses both statistical analysis to verify the return signal and a digital range gate which places a narrow "viewing window" around the echo. Only valid echoes are processed.

Further security is afforded by the built-in memory. In the event of an echo being lost the memory maintains the output at the last valid level for an adjustable period of up to seven minutes before reverting to a fail-safe high or low condition.

In conjunction with the company's transducers a level measuring system accurate to 1 per cent can be built, operating at ranges up to 15 metres, even in high dust environments.

MidRanger is fitted with a 3½ digit liquid crystal display which is easily adjustable to read directly in any engineering units and which has process outputs of 4 to 20 or zero to one milliamps.

On-line analysis of gases

ON-LINE qualitative and quantitative analysis of the gases evolved in the process of coal gasification can be carried out by a new mass spectrometer introduced by Scientific Products, Eastheath Avenue, Wokingham, Berkshire, RG11 2PW (0734) 787348.

Known as the CVC Superspec 600 Process Gas Analyser, the instrument has fast response time, excellent sensitivity and continuous monitoring ability. It can detect gases at levels of 5 ppm (.0005 per cent) over a mass range from 0-600 atomic mass units.

Easy to use, it has been designed to tolerate the harsh environmental conditions typically encountered in petrochemical plants. Standard equipment includes a scanner module capable of generating data over the entire mass range. In addition, a programmable six-gas monitor (expandable by multiples of six gases) enables the instrument to display the relative abundance of any number of gases in less than one second.

● SHIPBUILDING

New diesel engine

THE FIRST order for its latest diesel engine, the MB 275, has been obtained from Ailsa Shipbuilding of Troon, Scotland by Mirrlees Blackstone (Stockport).

The engine, which has a bore of 275 mm and stroke of 305 mm is to be built in units of 6 and 8 cylinders in line and 12 and 16 cylinders in a vee configuration. Main roles for these engines will be in single and multi-engined marine propulsion systems, in power generation and in auxiliary duties as in pump and compressor drives.

The order from Ailsa Shipbuilding calls for two propulsion engines for a dredge being constructed for Civil and Marine and they will drive twin controllable pitch propellers through plain reduction gears. A 1300 kW dc generator will be driven from the forward end of each engine to supply power for the dredge pumps.

● COMMUNICATIONS

Deciding on Viewdata

MORE AND more organisations are finding themselves faced with decision-making on the use of Viewdata systems but have realised that they lack the necessary experience and knowhow.

Viewdata is so new that very few experts are available to advise on it. For this reason, a group of people who have been closely associated with growth of this novel method of communication has set up a Viewdata consultancy service.

The service is Intext. Its staff includes Barry Standring, who was commercial manager of Viewdata/Teletext for Rank Radio International; Malcolm Smith, formerly marketing manager for the Post Office's Prestel service; Alan Dempster, who was one of the Post Office's Working Party on transferable programmes on Prestel; and Mary Young, who has pioneered Viewdata editing for a number of industrial and commercial users.

Not only is Viewdata a new technique, but the options for choice are expanding rapidly. The interrogation method, of homing in on the type of data required by the use of a simple hand control of 10 or 11 buttons, is opening up new vistas of data access for many more technical, commercial and marketing executives who have no special computer knowledge.

GEC and Philips are two of the major companies who have recently introduced private in-house Viewdata systems to the general industrial and commercial market. Questions facing the new potential users are: should one use Prestel, or a private system or a mixture of both? What are the commercial and economic ramifications? What will the system cost to install and run? What mix will be needed of TV terminals, computer video displays, telewriters, hard-copy printers and tape recorders?

The type of software to be adopted and the question of minicomputers or to link into the company's central processing unit for its own database are problems that also have to be taken into account.

Intext has been set up to provide answers to these questions and one of its first activities is to be a one-day seminar on the subject of "In-house Viewdata Systems" to be held at the Carlton Tower Hotel in London on June 15. The speakers will include specialists on Viewdata from GEC and Philips, in addition to the Intext staff.

Details of the Intext Viewdata service and on the seminar are available from Communications Intext, 351, Oxford Street, London W1. (01-499 6427).

● PROCESSES

New cable stripper

CABLE stripping devices, one designed for plastics insulated flat cables and the other for the removal of enamel from copper wire have been introduced recently.

The latter is called Abisofix and is available from Cole Equipment, Church Road, Croydon CR0 1SG (01-686 7581). It will remove the insulation from enamelled, silk or glass-fibre covered wire and is essentially a motor-driven chuck, the three jaws of which are in fact three knives which close in around the wire by centrifugal force. The device is held in one hand and the wire end inserted and pulled out of the chuck with the other. Maximum stripping length is 70 mm and there are three versions to deal with gauges from 35 to up 8 SWG.

The other machine can be obtained from Eraser International, 2 Hampton Court Parade, East Molesey, Surrey KT8 9HB (01-979 8141) and is the Rush D109 in an improved bench-mounted version, designed to remove thermoplastic insulation from multi-conductor flat cable by means of the heat generated by a pair of contra-rotating fibre glass wheels. A ½ inch wide "window" of insulation is removed without damage to the conductors.

● COMPONENTS

Cable joints approved

ACRYLIC RESIN cable joints developed for the mining industry by BICC have been approved by the National Coal Board.

The development in cable jointing technology follows research by BICC's Jointing Systems Division, Prescot, Merseyside, who designed the new range to work in extremely hostile environments, catering for cables up to 11 kV.

These "Bicast" multipurpose straight joints have compression connectors and are ideal for use in limited space as encountered down mine tunnels, while other straight branch and service joints have mechanical connectors.

The excellent electrical and mechanical properties of the resin used produces a very reliable joint. The resin is also quick to mix (two minutes) and easy to pour, making installation quicker and simple. Furthermore, its moisture tolerances makes it able to stand up well to the damp experienced in mines.

The resin's improved oxygen index makes the joint self-extinguishing—an extra safety feature in fire hazard situations.

The new range incorporates a metallic interphase shield for screened cables at 3.3 kV and 6.6 kV giving protection against phase-to-phase faults within the joint. This feature minimises taping and ensures quicker and easierf installation.

BICC is at P.O.B.1, Prescot, Merseyside, L34 5SZ. (051 426 6571).

● TELEVISION

Two-valve transmitter

IN THE latest solid-state band one and three TV transmitters from RCA only two valves are used throughout, one vision and one sound.

Elimination of valve amplifier stages, with all circuitry solid state up to the 1600-watt visual and 100-watt aural driver output levels means that the need for attention and maintenance is minimised.

In addition, broadband techniques used in the new transmitter eliminate all tuning requirements except for the *final amplifier*.

The new transmitters operate on worldwide colour broadcast standards, including NTSC, SECAM, PAL-B and PAL-M, meeting requirements for essentially all bandwidths and channel assignments.

For all requirements a universal crystal oscillator combined with a unique frequency synthesiser circuit accommodates any channel or frequency offset. Both sound and vision frequencies are controlled by the same crystal.

Personnel safety features have been designed in: a key operated interlock system ensures that all high voltage has been eliminated before gaining access to valves and cavities.

There are 20 transmitters in this new range, designated TTG, designed to operate up to power levels 20 per cent greater than previous designs. A single Band I or Band III transmitter is rated up to 30-kilowatts vision, and 6.6-kw sound, but they can be paralleled for greater power.

More from RCA, Commercial Communications Systems, Cherry Hill Offices, 206-1 Camden, N.J. 08101, U.S.

THE JOBS COLUMN

The wasteful nature of 'natural wastage'

BY MICHAEL DIXON

"WHEN YOU think of all the incompetent staff who must be fouling up the public services, it's nothing less than a lunatic shame." The speaker was a careers officer concerned with the UK education system who, like most of his kind, is contemplating bleakly the probable effetcs of the Cabinet's squeeze on employment in local and central government.

He was describing in particular the decision that the planned reductions of 5 per cent in local authorities' workforces and 3 per cent in the Civil Service, should be brought about largely by "natural wastage." Darwin, however, would hardly have approved of that name for the process, which might fairly be typified as survival of the unionised.

The lunacy of this process is that the factors on which it mainly relies—age and family demands—are poor discriminators between productive and counter productive workers. The shame is that the concomitant virtual halt to recruitment prevents keen and capable youngsters from getting a job.

Nobody can yet be sure of the extent to which the squeeze will reduce the demand for young people in the principal, summer recruiting season. Indeed, several of the various officials connected with the employment of pupils and students leaving educational establishments, are apparently still too stunned to attempt the necessary calculations.

"We knew that cuts had been announced in Parliament," said another careers adviser. "But we're only just starting to wake up to what they mean for us and our clients."

What they will eventually awaken to is that, of the jobs which only a fortnight ago the advisers thought were in immediate prospect for youngsters, 45,000 or more may well have been wiped out by the Government's decision.

True, some of the openings may reappear after the end of the summer when the three-month ban on recruitment into the Civil Service, particularly, is due to be reviewed.

Exceptions

Meanwhile the ban is being moderated in two ways. Departmental Ministers are allowed to approve on a case-by-case basis the engagement of urgently required staff, probably including accountants and computer sophisticates. In addition, people already offered posts subject to the passing of examinations, medical checks, and such like, will be taken on in the normal way.

There is nevertheless little comfort for the majority of the approaching 800,000 people scheduled to leave full-time education during the next couple of months to compete for jobs on the UK market.

At best the ban is expected to remove 12,000 of the posts which central government had previously planned to fill. At worst, the figure could be at least 15,000.

The 5 per cent cut ordained for employment in the combined local authorities implies a total loss of about 133,000 jobs. If this saving were achieved by a general ban on recruiting evenly applied over the coming year, some 33,000 fewer posts would be available for people entering the market in the next quarter. But given the long-standing propensity for heavy recruitment during the summer, the drop in the short-term supply could easily be worse.

So, at a stroke, the pupils and students seeking jobs in Britain would appear to have suffered an overall decline of nearly 6 per cent in their chances of finding one.

For some, however, the prospects have undoubtedly worsened by a greater amount. Take schoolteachers for example. About 24,000 are likely to be hunting classroom work after completing their training, of whom some 83 per cent had been officially expected to obtain teaching jobs with local education authorities.

But that expectation relied much on the previous Government's special concern to keep up teacher-recruitment. With the number of pupils falling in train of the reduced birth-rate, the local education authorities which are the direct employers of teachers could generally cut their intakes of new school staff without increasing the notional size of classes. Anxious to prevent egregious joblessness among newly qualified teachers, the Labour Government included in the "rate support grant"—the contribution from central taxes which covers about three fifths of local authority spending—money to encourage the local authorities to employ this autumn roughly 14,000 school staff over and above those needed to keep steady the ratio of teachers to pupils.

That surplus will now seem a tempting target, especially since the new Government has studiously avoided guaranteeing extra rate support grant to subsidise the cost of local ratepayers of the additional rises which the Pay Comparability Commission is expected to recommend for schoolteachers at the end of the year. Disappearance of all the surplus posts is extremely unlikely. But even if only a quarter were to fall victim, this summer's newly qualified teachers' chances of obtaining the work for which they have trained would go down from 83 to 69 per cent. And doubtless, the prospects will be considerably worse for the two thirds of the trainees who are without degrees, than for the third who are graduates.

A change

Other kinds of graduates entering the employment market directly after gaining their bachelor's or higher degrees look liable to be less favoured. Indeed, it appears that for a change the general outlook this summer might be less bad for non-graduates leaving education than for the products of universities and polytechnics.

It is the private sector which accounts for the bulk of recruitment of graduates, and demand by business and other industrial organisations is thought to have risen at a greater rate this year than has the number of degree-winners seeking jobs in the UK.

But, even discounting newly qualified medics and dentists, the intake from universities and polytechnics into the public services is still large. It increased markedly last year, and a further increase was crucial to the forecasts of "a very healthy demand" for the human products of higher education, which were made by their careers advisers four and a half months ago.

In the event, just as anxiety over final examinations reaches its peak, it seems that the squeeze on central and local government may well have deprived graduates alone of some 4,500 expected openings. With about 49,000 degree-winners competing on the market, this represents a sudden worsening of their overall prospects by more than 9 per cent.

The relatively greater threat to the hitherto most favoured children of the education system does not, of course, alter the fact that to many of the 800,000-strong "Class of Summer 1979" as a whole, the advent of the Conservative Government seems sure to be a painful memory.

Nobody owes either graduates or non-graduates a job, it is true. Perhaps the sudden demonstration of that fact to the younger generations will in the end prove beneficial to the country. But it is a pity that so many of them should suffer for the sake of protecting in public-service employment what is probably a greater number of older people who are no more than "completing time for pension," if not actually hampering the work of their competent colleagues.

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Brief but comprehensive details of career and salary to date, which will be treated in confidence, should be sent to J. G. Cameron, Executive Selection Division, ref. C376, at the address below. Please include a daytime telephone number at which you may be contacted.

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In strictest confidence, please write briefly to P J G Rolandi (Ref 955), Managing Director.

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Please write or telephone to S. W. J. Adamson F.C.A., **Grosvenor Stewart Limited,** *15 Tilehouse Street, Hitchin, Herts. Telephone (0462) 55303. Please quote ref. 925.*

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The Candidate A qualified accountant, aged from 30, with substantial management accounting experience. A shipping or transportation background will be a distinct advantage.

Brief but comprehensive details of career and salary to date, which will be treated in confidence, should be sent to J. G. Cameron, Executive Selection Division. Ref. C383 at the address below. Please include a daytime telephone number at which you may be contacted.

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For full details see the FT of that date or telephone Julie Burgess on 01-248 8000 ext. 588

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Why French 'patrons' seek bankruptcy insurance

RENCH DOLE queues may be ngthening, Lorraine, steel orkers becoming more milint, but how many spare a ought for the poor French "patron," or employer, when s firm goes bust?

Not only may he stand to lose ny shares he holds in the comny, but he may even find himlf pursued by the commercial urt or the banks for his ivate assets. Whether he is major shareholder or not, he ill generally be excluded from y redundancy payments or employment benefits.

It is a characteristic of any pitalist society that the unccessful entrepreneur should penalised, but in France ere are some special factors hich can make bankruptcy rticularly disagreeable for the rectors of a small firm.

Under a French law passed ck in 1967, the commercial urt may sue the managing rector of a company and even s fellow directors if it feels e bankruptcy was due to rious mismanagement—a term hich is by no means clearly fined. What is more, it is r the owner to disprove the legations, not for the court to ove them.

Under pressure from creditors, liquidators are increasingly asking commercial courts to bring actions against directors in their personal rather than company capacity.

The 1967 law extended employer liability from private companies with unlimited liability to both forms of limited liability enterprise: the SARL, Société à Responsibilité Limitée (partnerships), and SA, Société Anonyme (which can be private or publicly-quoted). But it has only been applied when creditors have reason to believe that the employer is capable of meeting their demands out of his own pocket; in practice, therefore, the directors of large publicly-quoted SAs are not subject to this form of proceedings.

What creates even greater concern among small entreprencurs is the bank's practice of foreclosing on directors who have personally guaranteed loans to their companies. In France it is very difficult for a small company to obtain bank loans without the managing director putting up his own personal assets as security. If the company goes bankrupt, it is but a matter of months before the banks start moving in on these personal assets.

Finally, many directors cannot even fall back on the dole. To benefit from French unemployment insurance, one must have a work contract. Yet under legislation passed in 1966, "mandataires sociaux," or directors, are generally not allowed to have work contracts, and are thereby excluded from the insurance system.

Until recently nobody seemed very concerned about the fate of such bankrupts. There were still relatively few cases of directors being made personally liable for bankruptcies, banks were not particularly ruthless in closing in on their debtors on the strength of personal guarantees, and insurance companies were understandably reluctant to offer cover in this field.

But as bankruptcies soared from 9,441 in 1973 to 15,589 in 1978 and creditors became increasingly demanding, French employer organisations started wondering how they could best protect their members.

Several insurance schemes have been developed but there is still some uncertainty about one of the key issues—whether compensation under all such schemes would be considered part of the personal assets on which creditors can claim.

The first initiative came from a small offshoot of the Confederation Generale des Petites et Moyennes Entreprises (GCPME) called the Societe Nationale de la Petite et Moyenne Industrie (SNPMI) with only 15,000 members. But more significant are the proposals now coming from the GCPME itself and the Conseil National du Patronat Francais (CNPF) which together account for most of French industry and commerce.

In the field of director liability against damages awarded by commercial courts, progress has been slow. French insurance companies are still very reluctant to take on such uncertain risks. But last year SNPMI found an American insurance group which was prepared to offer directors cover for up to FFr 2m of damages in return for an annual premium which can be as low as FFr 4,000 a year.

So far nothing has been done to protect a director against a bank foreclosing on him because of a personal guarantee, though the SMPMI is examining the feasibility of introducing such cover.

But what has been attracting public attention here has been dole for the "patrons." Under rival systems offered by SNPMI and GCPME/CNPF, directors, who are now excluded from national unemployment insurance, would themselves obtain dole payments.

The former, which has just gone into operation, does not cover unlimited liability companies. The latter, which is still being worked out, will cover anyone excluded from the State system, including directors who lose their jobs because of mergers or takeovers, as well as bankruptcies. Whereas participation in the SNPMI scheme will be on an individual basis, that in the GCPME/CNPF version will be through industry federations.

Under the first system, which is being run with the help of the French insurance group Union des Assurances de Paris (UAP), participants would contribute five per cent a year of the benefits they might want to receive. Thus for between FFr 2,400 and FFr 6,000 a year, they can look forward to receiving between FFr 4,000 and FFr 10,000 a month for a year.

The second system is being organised by the state insurance group GAN (Groupes des Assurance Nationales) with three other groups including UAP. Under it, directors would receive FFr 1,800 to FFr 7,000 a month for ten months, on the basis of premiums representing 1.5 to four per cent of annual earnings ranging from FFr 50,000 to FFr 200,000. The lower percentage would apply to federations which agreed to make the insurance compulsory for all its members rather than optional, but it may be revised to 2.5 per cent.

Under both systems cover is only provided after a year of premium payments.

The SNPMI is not expecting more than 3,000 subscribers to its insurance fund but the CNPF/GCPME is hoping for as many as 1.2m.

The cover is not particularly generous, but it will give a managing director some breathing space at a rather traumatic moment in his career. If a "patron" had already been stripped of his assets by the commercial court, he would still probably be left with something to keep himself and his family, but the new insurance would guarantee some basic income.

French entrepreneurs, who are already weighed down with social security charges, would prefer private cover to an extension of the national unemployment system, but they are reluctant to asume yet further financial commitments.

But the insurance can only be reasonably inexpensive if strong, as well as weak, companies participate. That is why considerable importance is being attached to whether the government will agree to set off premiums against corporation tax.

In the meantime, it is still unclear whether insurance compensation might be seized on behalf of creditors—and therefore rendered of limited value.

The SNPMI does not anticipate problems, even if such payments might strictly speaking be part of a director's personal assets. In practice courts always leave some subsistence for the bankrupt, and creditors might be happy that this was coming from an insurance, leaving them the other assets.

But CNPF/CGPME do see major problems, and want such dole payments to be regarded as "unseizable or partly unseizable" in the event of actions against personal assets. They are holding talks about this with the government.

Michael Parrott

Kenneth Gooding describes the lengths to which a car maker has gone to sustain a sporty personality

BMW digs deep to protect its image

PPARENTLY THERE are very w of us left in the Western orld who see the car as a mple conveyance, just a achine to take people easily some comfort from one place another. The car instead has come a "dream machine," a sirable object, an extension its owner's personality.

But even in an industry hich is dealing daily with such tangibles, the "image polishg" exercise just started by est Germany's BMW group at cost which must be well over 0m, sets new standards.

The project centres around a w sports-racing car called e M1, specially manufactured r the image-polishing purpose. involves a series of races been M1s, also specially manuctured for the same purpose. nd a great deal of BMW's maring, public relations and ess relations activity will be voted to the scheme over the xt two years at least.

The project can be traced ck to 1975 after BMW Bayerische Motoren Werke), hich assembles a relatively odest 350,000 cars a year and arges rather a lot for them, alised that it could no longer and much chance of winning ces with specially-adapted rsions of its road-going cars.

The problem is that BMW rs have engines in the front. aces these days are won by rs with engines either at the ar or in the middle where ey give a more even distribuon of weight.

But did it really matter if BMW dropped out of motor sport? The group did some extensive market research, taking 2,000 samples in Germany, France, Italy and Belgium. This showed conclusively that BMW customers did not just want their cars to have sporty characteristics, they also wanted them to have a sporty "image." It was concluded BMW "would lack personality without racing."

That gave the group two main options. It could develop an engine to power Formula One racing cars (the most powerful and prestigious) or it could develop a sports-racing car of its own.

Eight out of ten of the BMW buyers questioned mentioned they got information from the specialised motoring Press which might just write about any successes a BMW engine might have. But Europe's daily newspapers and general interest magazines are not in the habit of mentioning engines when reporting motor races. So the idea of developing an engine was dropped in favour of a complete car.

The M1, which has its engine in the middle, was ready last

The first race in BMW's Procar series at the Belgian Grand Prix.

year, a product of BMW engineering and the design capability of the Italian concern Italdesign.

But it cannot enter any races in its classes—Group 4 and 5 —yet because the rules insist that cars in these classes must be adaptations of genuine road-going vehicles.

And at least 400 must be on the road to prove the point before they can be accepted as race entries. So, having developed a car to win races, BMW has had to make road-going versions so that it can actually enter.

The group will have 300 M1s on the road by the end of 1979 and the targeted 400 some time in 1980. In the meantime it has done a deal with the Formula One Constructors Association (FOCA) to stage races between the M1s already built at eight out of the ten Grand Prix meetings this year and next as well as at Donnington in the UK.

BMW's luck has been in because the deal caused some controversy and the motor sport journalists, who would normally have practically ignored the M1 races—dubbed the Procar races — have given the controversy some coverage.

The main bone of contention has been the involvement of top-ranking Formula One drivers in the Procar races—the idea is that the five fastest drivers in Formula One practice are invited to race M1s specially prepared by BMW against each other and up to 15 privately-entered (and sponsored) M1s.

To make this possible the rule which says Formula One drivers should not take part in another race in the 24 hours before a Grand Prix has been somewhat bent.

Even with this bending of the rules, some Formula One sponsors have told their contracted drivers they cannot compete in the Procar series—notably Ferrari and Renault.

Then there has been the question of cash for the drivers.

Prizes for each Procar race give $5,000 to the first "invited" driver and another $5,000 to the first of the private entries, $3,000 to the second in each category and two third prizes of $1,000, with further cash prizes and other goodies for those who gain the most *points during the series.*

These are not large sums in a sport where the stars can net millions of dollars a season. So there had to be some front loading, something to attract the Formula One drivers in the first place, some cash up front. A BMW spokesman admitted: "There had to be some starting incentive for the Formula One drivers. For example, to have world champion Mario Andretti get into an M1 for a race was worth a great deal. If the world champion was to join in the fun, why should other drivers stay out?"

In the Belgian Procar race, the first, the drivers certainly had fun because the M1s arrived very late and there was not much time for practice. At the end of the 20 laps 12 out of the 19 cars which started were badly dented or blown up.

As the track cars cost DM150,000 each ($79,000) this also produced some Press comment.

Of course, BMW will get some of its investment back in cash. The road-going versions of the M1 will sell at DM100,000 ($52,600) each and the group claims that when 300 have been sold its BMW Motorsport subsidiary — which produces them from plants in Italy and the UK as well as Germany — will just about break even on the cost of designing and producing the M1 models.

BMW reckons its dealers around the world would take 800 of the road cars if they were available and the potential for sales to reach 1,000 (together worth $52.6m) seems to be there —even though the U.S. market must be excluded because too many cars must be crashed to comply with safety tests, and it is doubtful if the UK will get any because of the problems of producing a few hundred right-hand-drive versions.

BMW does not seem to be doing too badly on its investment in publicity terms either.

The FOCA deal with Eurovision for coverage of the various Grands Prix involves the television companies having to take about five minutes on the Procar race as part of the package — something the television people resisted because only one make of car was taking part even if some of the drivers had charisma.

It is estimated that 800m people watch the Monaco Grand Prix on television or saw recordings of it. And in normal circumstances it simply would not be possible to buy five minutes of television advertising to be beamed at 800m motor sports enthusiasts — however much cash you might be willing to offer.

Corporations in competition with a 'dark horse'

THREE TEAMS from Rank Xerox, one of them led by former European champion John Chappell, have won places among the 16 semi-finalists in the £3,500 U.K. national management championship.

Mr. Chappell—a cost and management accountant—also directed a Rank Xerox side to successive U.K. titles in the championships of 1976 and 1977. Having made the biggest profit—£7.2m—among the 64 "paper" consumer - durable companies in the quarter-finals, he must be favourite to complete the treble, and again chair the national team in the autumn's European contest in Paris.

Before that, however, the contest which started with 1,007 entrants will have been reduced by the semi-finals to just four survivors. Depending on how they manage in the face-to-face final in London on July 20, the four will receive a prize of either £2,000, £750, £500, or £250.

These increased prizes—together with £500, £250 and 100 to the three top teams in the subsidiary "Plate" contest—are being given to mark the tenth annual management championship sponsored by the Financial Times, ICL and the Institute of Chartered Accountants in England and Wales, in association with the Confederation of British Industry and the Institute of Directors.

Like the three from Rank Xerox offices, most of the other semi-finalists represent commercial concerns. Exceptions are the Harper Adams Agricultural College in Shropshire, a private entry of graduates of the Insead business school led by Mr. N. A. Smith, and a "dark horse" contender—Mr. R. Webb of Penn in Buckinghamshire.

The rest of the 16—all of whom will start the next round *amid work-to-rules created by* the game's computer programme—are as follows:

AE Auto Parts, Bradford; Caterpillar Tractor, Glasgow; Chase Manhattan Bank, City of London; Deloitte, Haskins and Sells, London; Godwins, Farnborough; ICI Petrochemicals, Cleveland; Reader's Digest Association, London; Sphere Drake Underwriting, City of London; Unilever financial group, London; and Vauxhall Motors, Luton.

Michael Dixon

LOMBARD

The U.S. sets a bad example

BY DAVID FISHLOCK

PRESIDENT CARTER could be in for a bad time when the Tokyo economic Summit gets around—as it surely soon will—to the subject of energy. His Administration has failed to persuade the world's most prodigious consumers of energy that there is any real need to make do with less.

The consequence is that the other six nations—UK, France, West Germany, Italy, Canada, Japan—represented in Tokyo will pay appreciably more for their fuels than they need have done, for a long time to come. With an assured market the size of the US, which imports about half its oil, OPEC need show little restraint in its pricing.

Plutonium

At the London Summit two years ago President Carter, freshly elected, tried hard to persuade his fellow heads of state to accept his domestic nuclear policy. This policy—partly, it should be said, inherited from the Ford Administration—was preoccupied with nuclear proliferation. It sought to forbid the recycling of spent nuclear fuel and the use of its plutonium by-product, despite the fact that for three decades this had been recognised widely as one of the most promising ways of conserving a fuel.

Instead, from the advantage of believing his country to be abundantly stocked with uranium, the new president urged the adoption worldwide of U.S.-designed reactors, and promised to guarantee uninterrupted supplies of fuel to those who accepted U.S. policy. He even held out promise of developments in fuel and reactors which might spin out the fuel to yield one-third more energy.

The other heads of state were not persuaded. Five of the seven—UK, France, Germany, Japan and Italy—were well aware that in abandoning plutonium they would be abandoning an energy system which promised to make their meagre indigenous reserves of uranium go 50 times further. But they accepted President Carter's proposal for an international evaluation of the basic tenets of his domestic policy. This was launched towards the end of 1977, as the International Nuclear Fuel Cycle Evaluation (INFCE), with other 50 nations participating.

Had INFCE been showing any sign of confirming the rationale, in energy terms, of U.S. nuclear policy, President Carter would undoubtedly have wished to capitalise on it this summer. But it has not. It has certainly persuaded all nations—and perhaps France most importantly—to take proliferation more seriously, and to show more constraint in choosing overseas markets for nuclear know-how which can be turned into weapons. But it has also demonstrated the essential commonsense, in terms of fuel conservation, of plans to burn the plutonium by-product of today's "thermal" reactors in tomorrow's fast breeder reactors.

President Carter is therefore unlikely to wish to give INFCE—still not due to report officially until early next year—any serious attention at this year's Summit. But his colleagues may wish to raise a closely related aspect of nuclear politics, the U.S.-designed reactor, to which five of the seven nations are already heavily committed, and which another (Britain) wants to explore.

The energy policy of the present U.S. Government gave this type of reactor a clean bill of health in every respect. The disturbing feature of new evidence now coming to light after the accident on Three Mile Island two months ago seems to be how lax was the U.S. Government in enforcing its own rules and regulations. It was perhaps diverted by its own preoccupation with proliferation.

Confidence

As a result other nations which have exercised more painstaking care to police their nuclear installations are threatened with a sharp loss in public confidence consequent upon an accident thousands of miles distant. For several, plans to let uranium shoulder an increasing part of national fuel consumption seem bound to be hampered. Germany's decision to defer plans for a Windscale-type factory is an obvious case in point.

After two years of what President Carter, to use his own words, sees as the "moral equivalent of war," he will take to Tokyo the feeblest record of achievement in saving energy of the seven nations present.

It can scarcely surprise him if others accuse him of letting them down, and perhaps even wresting from him the initiative in international energy policy the U.S. has enjoyed since 1973.

Inexpensive wines for summer drinking

WINE

BY EDMUND PENNING-ROWSELL

IT IS often suggested that some wines are more appropriate for drinking in the summer than others. This means, I assume, that one drinks lighter wines then, though it would be hard indeed to convince the Burgundians to drink Bordeaux or the Piedmontese to sip Bardolino.

Certainly in the British summer claret is easier to bring to table in many houses than it is in winter. But among white wines, summer surely indicates drier wines at one point, sweeter at another. So the summer wine list may best be divided into three: Aperitifs, wines with meals and dessert wines.

The most obvious summer aperitifs are sparkling wines, headed by champagne, and there are those who maintain that for this purpose the blends made entirely from white grapes, the *blancs de blancs*, or those made from a larger than normal proportion of white grapes, are the better for being particularly crisp and dry. Probably the best known is Taittinger's Comte de Champagne, but Pol Roger also have a Chardonnay. Both are excellent. Also recently returned to this market is what might be called the original *blanc de blanc*, Salon le Mesnil, for it was in the 1920s that this firm at le Mesnil on the Cote des Blancs first marketed on any scale a champagne made entirely from white grapes. Another wine from this Côte is Mumm's Crémant de Cramant. A *crémant* champagne has less "fizz" and is lighter than normal, and is very agreeable in the summer.

Then there is the new Krug Grande Cuvée, much lighter than the normal Krug style, as it contains a larger proportion of white grapes from their vineyard on the Côte des Blancs. The less expensive sparklers of distinction include the fuller-flavoured but dry Saumur, and the fairly new appellations of Crémant de Loire and Crémant de Bourgogne, which are all made by the champagne method, with the *crémants* lighter, like those in Champagne.

Summer too is the best time to drink really dry fino sherries, which should be served refreshingly cold, and the wine should not be kept long once the bottle is opened, for it oxidises quickly and turns a little bitter. Among the really dry are Innocente, San Patricio, Tio Pepe and Tres Palmas. Equally dry but rather fuller-bodied because including a proportion of older finos is Don Zoilo, whose somewhat ostentatious launching some years ago as the most expensive sherry may have put as many people off as it impressed: but it is, however, very fine of its kind.

A summer alternative to sherry for me is Chambéry vermouth with a small slice of lemon peel in it, making a very aromatic, refreshing drink. Finally, the obvious summer wine aperitif is *vin blanc cassis*. If made with Bourgogne Aligoté it may be called a Kir, after the canon and mayor of Dijon, who figured prominently in the French resistance, but these days Aligoté is not the cheap wine it once was, and I find it goes admirably with any dry white wine, including Muscadet and Yugoslav Riesling. For my taste most of the recipes prescribe too much *crème de cassis*, which makes it both over-sweet and masks the wine. With eight glasses to the bottle one level tablespoon of cassis per glass seems just right to me. Serve well chilled.

For wines to accompany summer cold meals, the Loire whites are obvious candidates, from Pouilly Blanc Fumé and Sancerre at one end of the region to Muscadet at the other. The former pair have a clear advantage in quality and flavour, but Muscadet is a good deal less expensive. In both cases the 1978s are superior to the 1977s. The Loire reds are suitable too, especially the young Touraine Gamays, often sold as Touraine Rouge, and Saumur-Champigny. Fresh and light they drink very well served slightly fresh in temperature and no more than two or three years old.

The other French red wine that goes down very well when gently chilled is Beaujolais. The "cru" wines, such as Moulin-à-Vent and Fleurie deserve something approaching the traditional room temperature, as this brings out both fruit and flavour, but for summer drinking a Beaujolais Villages 1978 can be dangerously delicious: dangerous because it is not so difficult to drink too readily a wine that may not be as innocuous as it seems.

France's other candidates for summer white wines are those from Bordeaux. As a recent official tasting in London showed these have improved greatly in recent years, being fresher, cleaner and less sulphury than they too often were. A Bordeaux Blanc Sec or a Bordeaux Sauvignor should now have the crispness that one looks for.

Perhaps because most of us still tend to visit Italy in the summer months, one instinctively thinks of Italian wines for drinking in this connection: Verdicchio, Soave and Frascati among the dry whites, Chianti, Valpolicella and Bardolino for the reds. The last-named is particularly agreeable when young, with something of the "cut" of beaujolais.

Less familiar, perhaps, but now producing very attractive wines are those from the Trentino and Friuli, particularly those made from the Cabernet-Sauvignon and Merlot grapes.

German wines are often difficult to match with English food, but on a fairly warm day there is nothing more attractive than a dry Moselle, notably from the Saar or Ruwer tributaries, served straight from a cool cellar or after half an hour or so in the refrigerator: and how fortunate that the relatively low alcoholic strength encourages yet another glass!

As dessert wines the sweeter German wines are incomparable, but the dessert must be chosen with care: no sharp citrus fruit nor anything chocolate—or coffee-flavoured. Indeed, a fine Auslese at least should be drunk on its own on a clear palate, not least the delicious Rieslings from Rhine and Moselle.

The French sweet white wines are perhaps more accommodating, though they should not be served with anything too heavy. Yquem and one or two other celebrated *crus* apart, Sauternes are not expensive for their distinctive quality, and are probably the most under-priced fine wines in a world that currently under-values them. Less expensive still are the luscious wines from the adjoining villages of Cérons, Ste Croix-du-Mont and Loupiac: a little heavier, a shade less distinguished but delicious with summer fruits.

The alternatives take us back to the Loire. First, Vouvray, and it must be the *moelleux* and not the sec, to me usually rather dull, and not what Vouvray should be. If possible one should try to find an example with some bottle-age. Secondly, there are the excellent and generally inexpensive Coteaux du Layon sweet whites.

They reach their peak of lusciousness in Quarts de Chaumes and Bonnezeaux. Grown further north than the sweet Bordeaux they tend to have rather more acidity and are fresher to the taste if generally less liquorous. Both are produced in relatively small quantities, and may be less easy to find than plain Coteaux du Layon, but there is no need to apologise for a good example of that wine.

Finally, because dessert white wines are under-appreciated but should not be missed, I mention two probably best encountered in situ. First, Jurançon *moelleux* produced and largely drunk near Pau and the foothills of the Pyrennees: sweet but not tremendously so, and Italians might describe it as *amabile*. The other is an Italian Vino Santo, made from grapes left to dry like raisins until fermented as late as holy week in the year after the vintage; hence the name. They are made in various parts of Italy, and the last I encountered was in the co-operative at Toblino, just north of Lake Garda. After a couple of glasses one may be excused for feeling a little santo oneself.

Sir Lester at Salisbury

RACING

BY DOMINIC WIGAN

LESTER PIGGOTT is not often seen at Salisbury these days and it seems significant that he should be there this afternoon for a minor eve-of-Derby meeting.

The principal reason for his visit appears to be the presence of two well-fancied Beckhampton runners, Abeer and Chop Gate. The first named has yet to run and it is only her reputation that prompts me to take a chance on another first-time-out winner for Jeremy Tree; but Chop Gate undoubtedly has the credentials to defy top weight in the Harnham Handicap.

Chop Gate, a highly-promising runner-up to Leonardo da Vinci on his racecourse debut in last spring's Wood Ditton Stakes at Newmarket, a chestnut by Connaught out of the 1968 1,000 Guineas winner, Caegwrle, subsequently proved something of a disappointment. However, he did win a modest event, beating Lazy Dynamite by one-and-a-half lengths in a ten-furlong maiden event on the July course.

If Chop Gate's only race to date this term is anything to go by he could still prove himself to be the smart performer that Wood Ditton run at Newmarket suggested he would become. Trying to make all his own running in the Turn of the Land Handicap on 2,000 Guineas day, the Lady Murless four-year-old almost succeeded; going down by just a head to The Hertford, to whom he was conceding a stone.

But for the lack of a previous run on that occasion I feel certain that Chop Gate would have obliged rather than splitting Brian Swift's veteran—now 6 lbs worse off—and the subsequently successful Salutiferous.

For anyone fully anticipating a victory for Piggott on Milford tomorrow the presence of the unraced Sir Lester in the second division of the Laverstock Maiden Stakes is probably worth noting.

Contrary to some reports Sunday's Prix Jean Prat winner, Young Generation will not be going for the Joe Coral Eclipse after a tilt at the St. James's Palace Stakes. Provided that all goes well at the Royal meeting Young Generation will have his next race after the St. James's Palace in Goodwood's Sussex Stakes. But for an exceptionally slow early pace on Sunday and ground riding faster than many anticipated, Young Generation would not, in the opinion of his rider, Greville Starkey, have lasted out Longchamp's nine furlongs.

SALISBURY

1.30—Beau Reef*
2.00—Caroisky
2.30—Abeer**
3.00—Liberated
3.30—Chop Gate***
4.00—Energy Plus
4.30—Queen's Garden

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.10 For Schools, Colleges. 1.15 pm News. 1.30 The Flumps. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Ar Y Brig. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Pixie and Dixie. 4.25 Animal Magic. 4.45 Tarzan Lord of the Jungle. 5.05 Ask Aspel. 5.35 Paddington.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Going to the Derby.
7.25 Centennial.
9.00 Party Election Broadcast for the European Assembly by the Conservative Party.
9.10 News.
9.35 I Didn't Know You Cared.
10.05 The New Sound of Music.
10.55 Tonight.
11.35 Multi-Racial Britain.
12.05 am Weather / Regional News.

All Regions as BBC-1 except at the following times:—

Scotland—5.55-6.20 pm Reporting Scotland. 10.55 Tuesday Night. 11.30 Multi-Racial Britain. 12.00 News and Weather for Scotland.

Wales—10.00-10.20 am For Schools (Hyn o Fyd). 4.45-5.05 pm Trysor Bryniau Caspar. 5.55-6.20 Wales Today. 6.55-7.25 Heddiw. 12.05 am News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.05 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.30 It's A Great Life—If You Don't Weaken.
11.00 Play School.
4.50 pm Open University.
6.55 A Child's Place.
7.20 Mid-evening News.
7.30 Tennis To Win.
7.55 It's A Small World.
8.05 Brass Tacks.
9.00 Crime and Punishment.
10.20 Top Gear.
10.50 Late News.
11.05 Party Election Broadcast (as BBC-1 9.00 pm).
11.15 The Old Grey Whistle Test.
11.55 Fox Watch

LONDON

9.30 am Schools Programmes. 11.55 Cartoon Time. 12.00 Paperplay. 12.10 pm Rainbow. 12.30 The Cedar Tree. 1.00 News plus FT index. 1.20 Thames News. 1.30 Crown Court. 2.00 The National Gallery. 2.30 Tuesday Matinee: "The Call of the Wild." 4.20 Runaround. 4.45 Magpie. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames At 6.
6.25 Help!
6.35 Crossroads.
7.00 What's On Next?
7.30 Thundercloud.
8.00 The Streets of San Francisco.
9.00 European Election Broadcast by the Conservative Party.
9.10 Rumpole of the Bailey.
10.00 News.
10.40 Camera — Early Photography.
11.10 Mavis . . . Wanting To Know.
11.40 Cambridge debate Europe.
11.35 Close: Personal choice with Martin Jarvis.

All IBA Regions as London except at the following times:—

ANGLIA

ATV

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.30 Sister Dora. 3.25 Cash and Company. 5.15 Melotoons. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Report West. 7.00 Definition. 7.30 The Tuesday Movie: "Night Terror." 11.10 The Cambridge Union Debate—Cambridge Debates Europe.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau ...

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1

(S) Stereophonic broadcast
‡ Medium wave.

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.00 Personal Call. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Tony Brandon (S). 7.32 Terry Wogan including 8.27 Racing Bulletin and 8.45 Pause for Thought (S). 10.03 Derek Hobson (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S). 6.45 Sports Desk. 7.02 On The Third Beat (S). 7.30 Sports Desk. 7.33 Folk 79 (S). 8.02 Nordring Festival 1978 (S). 9.02 Among Your Souvenirs (S). 9.55 Sports Desk. 10.02 The Frankie Howerd Variety Show. 11.02 Brian Matthew with Round Midnight, including ... 5.00 am ... Music with ...

RADIO 3

‡6.55 am Weather. ... Overture, ... Overture, ... 9.05 This ... (S). ... The Song ... Hold (S). ... part 1 (S) ...

RADIO 4

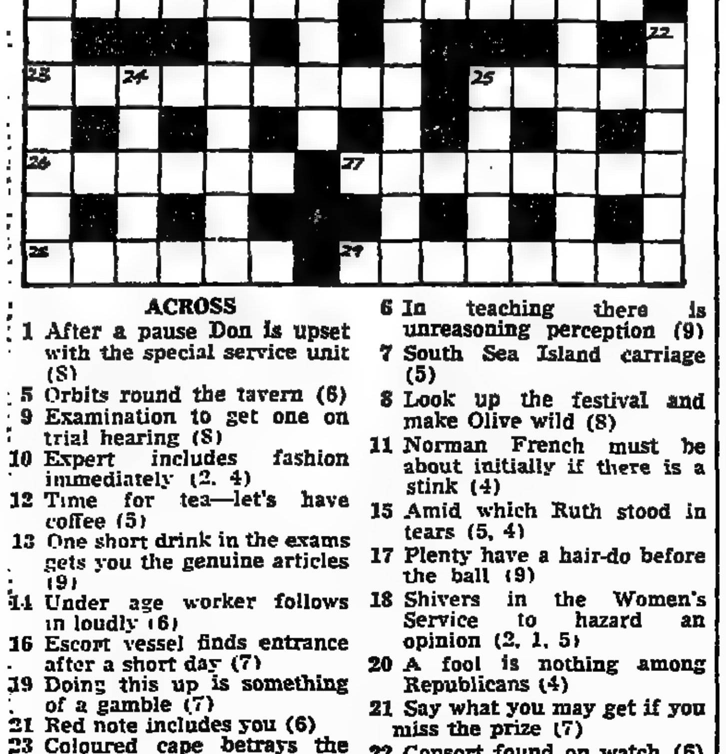
6.00 am News ... Today. 6.25 ... Today including ... 7.00. 8.00 Today ... News headlines ... Day. 8.45 A ... News. 9.05 ...

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 3,987



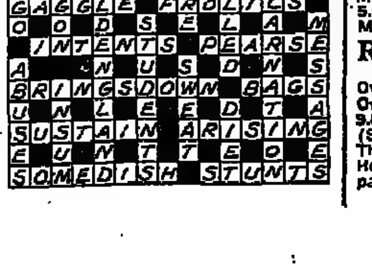
ACROSS

1 After a pause Don is upset with the special service unit (8)
5 Orbits round the tavern (6)
9 Examination to get one on trial hearing (8)
10 Expert includes fashion immediately (2, 4)
12 Time for tea—let's have coffee (5)
13 One short drink in the exams gets you the genuine articles (9)
14 Under age worker follows in loudly (6)
16 Escort vessel finds entrance after a short day (7)
19 Doing this up is something of a gamble (7)
21 Red note includes you (6)
23 Coloured cape betrays the raw hand (9)
25 Decoration the youngster returns to me (5)
26 Induces the breakfast menu (4, 2)
27 Diets can show how far you have to go (8)
28 Ulysses bound himself to the mast to escape them (6)
29 The lazy get in and act before term (8)

DOWN

1 Amulets provide a companion with weapons (6)
2 "We have — to make women speak" (Anatole France) (9)
3 Objective of the RAF as skill mounts (5)
4 Doctor has work-out in the rugger match (4-3)
6 In teaching there is unreasonable perception (9)
7 South Sea Island carriage (5)
8 Look up the festival and make Olive wild (8)
11 Norman French must be about initially if there is a stink (4)
15 Amid which Ruth stood in tears (5, 4)
17 Plenty have a hair-do before the ball (9)
18 Shivers in the Women's Service to hazard an opinion (2, 1, 5)
20 A fool is nothing among Republicans (4)
21 Say what you may get if you miss the prize (7)
22 Consort found on watch (6)
24 Keen, but sounds a bore (5)
25 Half the capital gets you round Paris (5)

Solution to Puzzle No. 3,986



ENTERTAINMENT GUIDE

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CINEMAS

FINANCIAL TIMES SURVEY

Tuesday June 5 1979

BAHRAIN

Bahrain has successfully diversified its economy away from oil, which is slowly running out. Its internal stability depends on providing gentle economic growth, housing the poorer Bahrainis and making sure there are enough suitable jobs to go round.

(Photographs by Terry Kirk)

The dhow harbour at Muharraq

Future lies in skills

By James Buxton

BAHRAIN IS the only Arab island State and has the best of two worlds. It has the strong separate identity and self-reliance of an island but it also has the benefit of being part of a group of nations with surplus cash and a growing habit of co-operation.

Bahrain is friendly, tolerant and open, and in places lush and pretty. It makes these attributes a stock-in-trade for those who find it heavy going in the unwelcoming, austere and usually arid world of the Wahhabi Moslem fundamentalists in Saudi Arabia, less than 30 miles away. Yet Saudi Arabia does not disapprove: it is keen to help Bahrain and deepen the already strong economic ties with its little neighbour.

Bahrain has the kind of civilisation that comes from millennia of settled farming, fishing and pearling; the sophistication and fast reactions natural to a trading community; and the degree of diligence necessary in a place where oil, first produced before World War II, is gradually running out. Though there are jobs that Bahrainis now leave to the foreigners who make up at least a third of the population, they do get their hands dirty with work.

These are useful assets for a place which is growing richer much more slowly than its neighbours and so is in some ways becoming more dependent on their economies. As the output from Bahrain's own small oilfield declines the revenue it obtains from its half-share of a field with Saudi Arabia assumes greater importance. It obtains relatively small quantities of aid both from the Kingdom and from Kuwait. It has made a virtue out of co-operation with Saudi Arabia in its chief non-oil industrial venture, the gas-powered aluminium smelter ALBA, and so is getting Saudi Arabia to help finance its expansion while sharing in a future smelter on the Saudi mainland.

Bahrain's geographical position, relatively skilled labour force, modern infrastructure, fine communications and good relations with other Arab States were the reasons for its being chosen as the site of the Organisation of Arab Petroleum Exporting Countries' dry dock, now in its second year of operation.

But in a part of the world where viable industrial projects are hard to come by Bahrain is moving more deeply into services, especially as a financial centre. It decided to make more than its neighbours of the absence of taxation and as a tax haven has profited considerably from the growth of offshore banks since 1975, and has followed this success by starting to register companies exempt from the usual conditions of having majority stakes held by locals.

Bahrain should be in an even better position to market its skills when, as seems almost certain, it becomes physically joined to Saudi Arabia by the construction of a causeway across the shallow waters that divide them. The causeway was promised early in the decade by the late King Faisal of Saudi Arabia to bind the two States whose ruling families, the Saudis and the Khalifas, are related. It was a gesture to assert the Arab identity of Bahrain after the Shah of Iran finally gave up his claim to the island in 1970.

The project has been so long talked about, with only slow progress being made towards its implementation, that it has begun to lose some of its glamour. But now the World Bank is evaluating the prequalification bids for its construction and it seems quite likely that work will start next year, with completion in about four years.

Bizarre

In many respects this is a bizarre project. The cost will be borne by Saudi Arabia, and figures of between \$800m and \$1bn have been mentioned, high because of the need to build several miles of bridge to prevent the sea between Bahrain and Saudi Arabia silting up. To an outsider it seems that a good ferry service like the cross-Channel services between England and France would suffice for the traffic that can be generated by two relatively small populations. Considering the two States' expressed desire for closer links it is curious that a proper vehicle ferry service has not been created already. There is only intermittent traffic by dhow — while it has taken a long time for the air services to become fully adequate for the traffic.

Bahrain of course will benefit enormously in economic terms from the scheme, and hopes that its hotels will receive a boost from weekenders streaming across from Saudia Arabia's Eastern Province, and even that workers will be able to commute daily from Bahrain to Saudi Arabia. It is less clear what economic benefits Saudi Arabia will get out of it in proportion to its cost, and much depends on what restrictions are placed on the use of the causeway and on the relatively tolerant attitude to such things as alcohol and wet T-shirt competitions in Bahrain.

In fact some limit on the use of the causeway might be welcomed in Bahrain where no one wants to be swamped by visiting Saudis. And the Government certainly does not want to see a sudden explosive boom of the kind that racked the island and enriched many people in 1975 and 1976.

The boom was an important reason why Bahrain accepted fairly calmly the suspension of the constitution and the dissolution of the National Assembly in August 1975. With its relatively big working class Bahrain had been a place of vigorous political activity and trade union pressure during the 1950s and 1960s, and it was to satisfy discontent that the present ruler, Sheikh Isa bin Sulman al Khalifa, established the assembly in 1972. Much of the opposition was directed against the dominant British position in Bahrain, so when Britain finally left in 1970 and pulled out of the Gulf completely the following year it gradually became clear that a major focus of opposition had gone.

Since the dissolution of the assembly—which had turned out to be, at least in the Government's eyes, an unruly and unconstructive talking shop—Bahraini politics have seemed more tranquil. Yet the island's population is not homogenous and there are considerable underlying tensions which occasionally surface. The majority of the population, perhaps 60 per cent, are Shia Moslems, many of them descendants of the original inhabitants of Bahrain, but others are Persian immigrants of different vintages.

The Khalifa clan, numbering about 5,000, are, like many others, Sunni. With some exceptions the Shiites are in less commanding positions on the island and tend to regard the Khalifas, who came to Bahrain from mainland Arabia in the mid 18th century, as relative newcomers. The revolution in Iran has demonstrated to the Shiites what can be accomplished, and with its many Persian groups the fear of a spillover from Iran has become a major concern of Bahrain's Government, even though a march in support of Ayotollah Khomeini last February was something of a flop.

Yet with its efficient police the Government seems to be able to keep religious tensions under control, while those members of the banned Popular Front for the Liberation of Oman and the Arabian Gulf keep their sympathies quiet. Many leaders of political opposition are now either in government or doing well in business.

But above all there are simply not the grievances that were the undoing of the Shah. The ruling family is not particularly extravagant, and there are few if any prestige projects and white elephants: the Government has tried hard to improve things in Bahrain by spending on the infrastructure and building up a good, well-run welfare system.

Industrial disputes are usually headed off by prompt action by the Ministry of Labour and a system of councils in workplaces have taken the place of the trade unions. Labour legislation strongly favours the workers (it is very difficult to sack someone) and the system is so designed that to obtain his entitled benefits the worker must go to the Government.

But there are two key areas where more Government action is needed. The first is housing. The boom led to an enormous upsurge in building villas for expatriates, but housing for the poorer people provided by the State failed to keep up. The private sector overbuilt and the result is that there are about 1,000 empty luxury houses all over Manama, their owners still holding out for a rent very few Bahrainis could pay, while poorer people have to share houses with their relatives at a time when the nuclear family, a mark of Bahrains sophistication, is becoming more common.

The Government has gradually met a higher proportion of its housing targets but it cannot afford to provide houses for everyone—hence the plan for a Housing Bank where house buyers' contributions would be matched with Government funds. But the bank has yet to become operational, and when it does it will need to provide about 2,000 houses a year for a decade.

The other problem is employment, which has gradually become an issue after the boom folded. The recent shedding of staff at ALBA had to be handled tactfully. With more than a third of the labour force non-Bahraini it is a question of providing the kind of jobs that match the skills of the Bahrainis.

Recently the Minister of Education admitted that the education system in Bahrain was producing people not always suited to the kind of work available, either in Bahrain or in Saudi Arabia. They had been trained largely in arts subjects when the emphasis in Bahraini jobs is in such fields as engineering, accounting, foreign exchange dealing and computing. Many Bahrainis have been losing the command of English they established at an early age by long stays at Arab universities. The problem applied to only 300 or 400 people, but in Bahrain terms that is a significant number.

The Government is studying the problem and trying to co-ordinate education planning with labour needs, while trying to encourage people to think more broadly about the kind of jobs they will consider doing. The fact that the Government cannot afford to give people sinecures is a good discipline in the labour market.

As an island trying increasingly to make its living in the world on the strength of its tolerance and open-mindedness Bahrain feels uneasy having, as an Arab State closely tied to Saudi Arabia, to impose the Arab boycott on Egypt. Bahrain has broken diplomatic relations with Egypt though it has made it clear that individual Egyptians will still be welcome in Bahrain. The Egypt-Israel peace treaty issue has brought Bahrain into uncomfortable prominence in the Arab world and the expressions of satisfac-

CONTINUED ON NEXT PAGE

BASIC STATISTICS

Area	256 square miles
Population	341,000 (est.)
Trade (1977)	
Imports	BD 803m
Exports	BD 730m
Imports from UK	£114m
Exports to UK	£13.7m
Trade (1978)	
Imports	BD 792m
Exports	BD 734m
Imports from UK	£120m
Exports to UK	£34.7m
Currency = dinar £1 = BD 0.786	

Brighter prospects on the horizon

THE ECONOMY

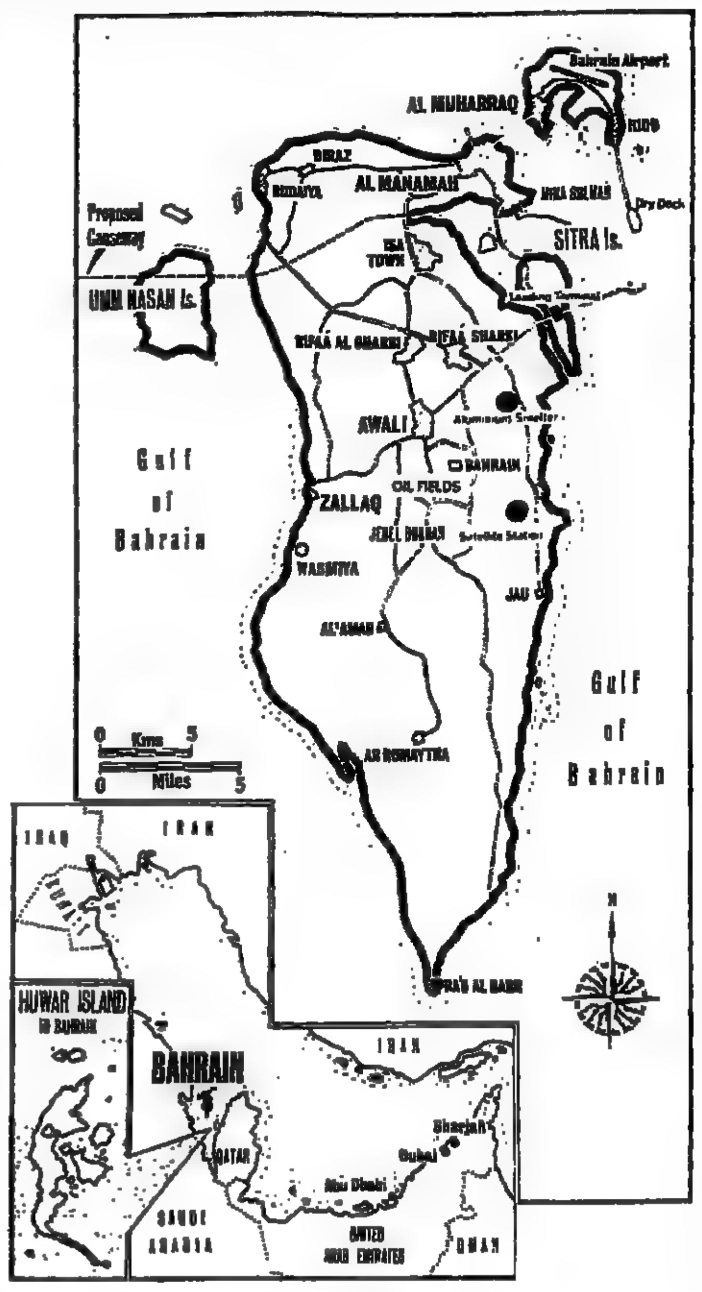
JAMES BUXTON

EVER SINCE the great Gulf boom into recession in 1977 Gulf State governments and businessmen have been on the lookout for the first sign of significant recovery. Rather like Noah and the dove he sent out from the Ark, Bahrain believes it has spotted dry land at last.

No-one in Bahrain is looking to a repeat of the 1975-76 boom. Construction activity on that kind of scale, which led the upsurge, is virtually unrepeatable because even if there were another multifold increase in revenue there would be little left to build. Nor do the Government and many other people really want the searing experience of another fierce boom with its attendant inflation and congestion. As Mr. Yusuf Shirawi, the Minister of Development, says: "Bahrain lost its head for two years." (Bahrain's neighbours did too, mostly on a grosser scale.)

What Bahrain wants, and is beginning to experience, is a return to a more "normal" gentle expansion of the economy. The boom, caused by the effects of the 1973-74 oil price rise on Bahrain and particularly on its neighbours, caused a dramatic increase in imports, was assisted by greatly increased Government spending which went largely into improving the infrastructure, and saw a tremendous upsurge in private-sector construction both of offices and homes, in response to the drastic shortages caused by the boom and by the sudden influx of bankers as Bahrain became an offshore financial centre.

When the boom collapsed as Government projects were completed and liquidity dried up, land values and rents came down, with office and apartment rents down about 50 per cent and housing down 35 to 40 per cent. Inevitably many of the banks were left with bad debts on property loans, but in general they tended not to foreclose on their debtors and thus precipitate a chain of bankruptcies. Rather have they left them to work out their positions gradually, and while this process is far from complete there are signs that the increase in the money supply this year will, at around 10 per cent, be a little above last year's rise of 8 per cent. (In 1976 it increased by 65 per cent over the previous year, but the rise dropped to 17 per cent in 1977.)



Increase

Now letters of credit are showing an increase (imports actually dropped fractionally last year); there are signs of an upturn in air freight traffic; some small new industrial developments are going ahead; and there are said to be signs of a slight reduction in the vast choice that faces the prospective tenant seeking offices or somewhere to live (even though many rich Bahrainis, either for atavistic reasons or for their own use, are still putting up new villas).

After some deficit financing during the boom, when the Government spent heavily on improving roads, power supply, water and sewerage, the Ministry of Finance has now achieved financial stability with a balanced two-year budget covering the years 1978 and 1979. Yet the direct benefits to Bahrain of this year's oil price escalation will be proportionately less than for its oil-producing neighbours. Because of the diversification of the economy oil now accounts directly for only about 55 per cent of Government revenue; its own Bahrain field is slowly declining by about three per cent a year (output was about 51,000 b/d in the first three months of this year); and though Bahrain has naturally benefited from higher prices here its other main source of income, its half share with Saudi Arabia of the Abu Safa field, is subject to the Saudi decision not to impose surcharges on the price. On the other hand the government is also getting more revenue from more effective collection of fees and charges.

The effect of this year's price increases should be to make it possible for the Government to balance its budget without recourse to grants from Kuwait and Saudi Arabia (some BD 40m out of a total anticipated revenue of BD 280m for the two-year period was expected to come in grants and loans). Mr. Abdullah Saif, Director-General of the Bahrain Monetary Agency, says that domestic borrowing, possibly in the form of development bonds, will still be necessary. So far there are no plans for increased spending.

Bahrain's economy is the most sophisticated in the Gulf. It has successfully diversified away from dependence on oil and has done much to maximise value-added on its hydrocarbon production.

All Bahrain's oil production, boosted by input from Saudi Arabia, is exported in the form of refined products from the 250,000 b/d refinery—the biggest on the western side of the Gulf. The Government takeover from Caltex of a 100 per cent stake in BAPCO instead of the existing 60 per cent is now being finalised, though it will add only a few million dollars to Bahrain's revenue. The refinery, which requires considerable preventive maintenance a year, is not being nationalised. To extract the maximum output from the Bahrain field a study of a tertiary recovery programme is being considered.

Now the Government has gone ahead with a natural gas liquids (NGL) project to process the associated gas brought up with the oil and each year produce some 250,000 tonnes of propane, butane and natural gasoline. The $86m project should be in operation by December and is 75 per cent owned by the Government through the Bahrain National Oil Company, with the rest divided between multi-State APICorp and Caltex, the operator, which has signed a provisional contract to buy all the output. Despite the development of other such plants in the region Bahrain hopes to pay back the original cost of the investment in four years.

Bahrain has non-associated gas reserves in the deep Khuff zone, and while part of these are used for oilfield injection, electricity production and the refinery, one-third of the 330m cu ft output meets the energy requirements of the aluminium plant, ALBA. The latter was one of the first heavy industrial projects in the Gulf and after a difficult first few years has been truly profitable for the past two and is riding high on good world prices with a turnover last year of about $150m.

Now Saudi Arabia, through the Saudi Arabian Basic Industries Corporation (SABIC), is to take a 20 per cent stake in it. The main objectives of the deal appear to be to expand ALBA at a cost of BD 45m and facilitate Saudi Arabia's construction of its smelter, a project in which Bahrain will have a stake and contribute hard-won knowhow. Like the smelter under construction at Dubai the two smelters will not be in direct competition, all being dependent on the world market.

The other major element in Bahrain's industry is the Arab Ship Repair Yard (ASRY) which opened in late 1977 and has operated at about 90 per cent of its capacity ever since. The highly impressive complex to repair supertankers symbolises Bahrain's success in attracting intra-Arab projects on the strength of its labour force and its good infrastructure.

The fact that the yard does not operate at a profit is of less concern to Bahrain which is only one of seven shareholders in it (with a 19 per cent stake) than the fact that it employs 1,400 people, about a third of them Bahrainis, and has a major training function. Its repair shops could be an asset to the island's industrial capacity.

But Bahrain does not envisage undertaking any new industrial projects, aware of the limited fields in which even this most competitive of Gulf States has a comparative advantage and of the dangers of being swamped by the schemes of its neighbours. There will be downstream development from the existing industries—into more light manufacturing using aluminium, for example—and co-operative ventures with Saudi Arabia, founded on the warm relations between Mr. Yusuf Shirawi, the Development Minister, and Dr. Ghazi Al-Gosaibi, the Saudi Minister of Industry.

Currently the emphasis is on developing Bahrain as a service centre for the Gulf and the centrepiece of this strategy is the offshore banking units (OBUs), of which 50 are in operation since the start of the operation in 1975. The OBUs benefit from the rigidity of banking regulation and practice in Saudi Arabia and Kuwait as well as being part of the international network of financial centres, conveniently placed about half-way between Singapore and London.

The OBUs do not handle much of the oil States' official surpluses but rather the surplus of the private sector of the region to the tune of nearly $12bn last year. The OBUs are effectively unmatched by any competition in the region and although their growth has now slowed down in terms of the number of new banks, the assets handled stood at $23bn at the end of last year, more than in Singapore.

Commerce

The OBUs provide commerce and employment for Bahrain both directly and indirectly, benefit the balance of payments and have led to other financial operations getting underway. A follow up development was the registering of offshore or exempt companies (ECs), a system whereby companies can register in Bahrain without needing local participation, but also without being allowed to compete in the local market. This enables them to use Bahrain as a tax-free base for their operations, usually in Saudi Arabia, with a more respectable place of registration (in Arab eyes) than some of the other tax havens.

But to make the operations worthwhile from the island's point of view the ECs have to operate a genuine headquarters in Bahrain and employ staff there. The ECs, which began in 1977, have been slower to catch on than the OBUs but about 25 have so far been established.

Bahrain is promoting itself as a service centre with exhibitions and conferences, designed initially to fill the excess capacity caused by the hotel boom (the number of first class beds will double again during the coming year). Yet despite being at an aviation crossroads and being fractionally cheaper than its neighbours in dollar terms (having not revalued its currency so fast against the dollar) there are limits to how far Bahrain can develop as a place for visitors.

The air fares are too high, Dubai has better exhibition and conference facilities and for tourists the island is pleasant but hardly a paradise. Bahrain seems content to offer visitors from Saudi Arabia a more pleasant environment, a greatly superior degree of friendliness and free access to alcohol.

Already Bahrain's invisible earnings cover its deficit on the trade account (which last year stood at BD 58.6m on imports of BD 791.6m). Yet the pattern of Bahrain's trade has changed in the past few years and its role as an entrepot trading centre has declined as other Gulf States have improved their port facilities. Last year Bahrain's re-exports to Saudi Arabia fell by a third to BD 32m.

Yet it is with Saudi Arabia's Eastern Province that Bahrain is destined to become most deeply involved. The plan for building the Saudi-financed causeway now looks as likely to go ahead as it ever has been, and could even be under construction within a year. Its effect on Bahrain's economy when it is complete, which should be within four years of starting, depends on how freely it can be used, but it should benefit all the elements in Bahrain's existing economy by giving them better access to the biggest market in the peninsula, enable some of Bahrain's imports to come in relatively cheaply by road and enable Bahrainis and expatriates living on the island to work in Saudi Arabia.

But as Mr. Yusuf Shirawi says, the causeway is an opportunity to be exploited, rather than to initiate any development itself. It will, however, provide a considerable economic boost while it is under construction and should help take up some of the slack in the property market. Bahraini merchants are quietly looking forward to it, but with a caution inevitable for a project that has been talked about so long and almost discounted in advance.

Skills

CONTINUED FROM PREVIOUS PAGE

tion with its attitude that it has received from Iraq are sending shivers down a few spines.

A major cause of contention between Bahrain and its fellow Arab States used to be the existence of a small U.S. naval base on the island. The agreement for the use of the facilities was abrogated in 1977 and officially the U.S. now has the same naval refuelling rights on Bahrain as any other navy, though there is still a small number of U.S. Navy personnel in what is called the Admiral's support unit, using transport painted in most unmartial colours, and there is still a telephone book entry for the U.S. Commander Middle East.

Yet if Bahrain justifiably presents a cosy appearance with its way of life preserved in the shadow of its big neighbour, any State with oil reserves declining over the next 20 years needs very careful management to maintain its economic viability and hence its political autonomy. Services and downstream industries are unlikely to provide cash in the volume that oil does, while increased reliance on the oil and money of others may reduce freedom of action. In a part of the world where costs are high there is a danger that Bahrain may not have the competitiveness it will later find essential.

The successors of the men who have shown agility and foresight in bringing Bahrain to its current state will need even more skill in the coming decades if they are to guide Bahrain along the tightrope between economic self-sufficiency and political subordination.

Modest optimism after a quiet year

BANKING

MARY FRINGS

ANKERS IN Bahrain are ıking a positive, if not over-ɔthusiastic view of business rospects for the rest of 1979. "Sound but quiet" was one ɜrdict. There is general agree-ent that the real upswing in ɔonomic activity will come not ıis year, but in 1980 or later, ith the award of contracts for ıe Saudi-Bahrain causeway.

When construction does get ɪder way—and many people e adopting a wait-and-see titude towards this costly pro-ct—the impact of the cause-ay on Bahrain will be as much ychological as economic.

But renewed business con-lence must not be allowed to t out of hand, a leading local ınker warns—"Banks will have be very careful not to nerate speculation by poor nding practices, such as curred in the 1974-76 real tate scramble."

The effects of those ill-vised loans are still evident, th nearly 40 per cent of all nding committed to the con-uction sector. A few rrowers can barely keep up th the interest payments, and ve no prospect of repaying e capital. Their other busi-ss interests have suffered cordingly.

Revival

The Director-General of the hrain Monetary Agency, Mr. dulla Saif, hopes to see a odest revival in the coming onths, after a year in which nk lending to the private ctor increased by only 5 per nt. He bases his optimism Government intervention in pport of the housing pro-amme, through the establish-nt of a $100m Housing Bank, d the private sector's new llingness to invest in local ht industries.

Two projects for the manufac-e of welding electrodes and niture are together worth arly $12m. Also coming up s year is the $120m expansion the aluminium smelter, for ich contracts will be out in autumn.

"Bank lending will certainly rease, up to 10 per cent above t year," Mr. Saif said. "This l have a multiplying effect parent in the level of domes-liquidity." His forecast is a 15 per cent growth in uidity—higher than last r's 13 per cent.

A recent increase in dinar posit rates (to 8 per cent for -month money, 8½ per cent one year) aims to encourage re investment in local cur-rency, even though dollar rates are around 2 per cent higher. Banks are finding deposits harder to obtain than loans.

First quarter 1979 returns from the 19 commercial banks in Bahrain (Al-Ahli Commercial Bank opened at the end of December and so does not appear in the 1978 results) show advances and credits rose by 3 per cent and the money supply (M2) by 2.887 per cent. Trade showed an apparent upturn with contra accounts — letters of credit and guarantees—up 6.7 per cent. But with world in-flation running at higher levels than this these figures are hardly encouraging.

Government spending remains static, and in real terms is lower than last year. While tight fiscal control has not made the contracting industry very happy, a senior American banker declares himself to be "fond of governments dedicated to a balanced budget."

Statistics just released by the Bahrain Monetary Agency show that while the commercial banks varied considerably in per-formance during 1978, the over-all profit of BD 10m ($26m) remained virtually unchanged.

The two locally incorporated retail banks, National Bank of Bahrain (NBB) and Bank of Bahrain and Kuwait (BBK), held 55 per cent of the assets and made 44 per cent of the total profits — which would seem to leave only a small share of the cake for the remaining 16 banks.

They also did one-third of the BD 216m ($560m) letter of credit and guarantee business, and handed out 49 per cent of the loans.

BBK is rather a special case in that its consolidated accounts include OBU items and also its branch in Kuwait, which after nine months in operation made up one third of the balance sheet. Other anomalies in reporting procedure, and the different objectives of retail and wholesale banks, require that the figures should be taken with a pinch of salt.

It is clear, however, that in terms of profit the two American banks Chase and Citibank, made a spectacular recovery. Grindlays more than doubled its earnings but in most cases increases were modest: NBB attributes its own uninspiring 1.1 per cent profit growth to a 9 per cent decrease in lending during 1978, narrower margins in the money market and higher operating costs.

Nevertheless, its total assets rose by 23.9 per cent, and operating results for the first three months of 1979 show a 16.8 per cent increase in net profit over the same period of 1978.

BBK were 13.4 per cent down on 1977, and British Bank of the Middle East's profits fell 25.9 per cent. The Iranian Bank Melli had a disastrous year—and it was a surprise to see Bank Saderat Iran doing so well. Paris-Bas dropped 70 per cent, possibly because some business was transferred to the OBU. Continental Bank, now in its third year of operation, has still not reached break-even point.

Incorporated in the Cayman Islands with its administrative headquarters in Bahrain, Conti-nental is a joint venture between Bahraini interests and Continental Illinois National Bank and Trust Company of Chicago, which ranks among the U.S. top ten. The bank is regarded in the Bahrain market as conservative. Its interest is in developing wholesale business and its stated aim is to seek quality rather than immediate profitability.

At present, the venture's operating cost-ratio is the highest in Bahrain (5.35 per cent of average assets), whereas net interest earnings (2.39 per cent) and other income (0.9 per cent) total only 3.29 per cent.

Both the local banks have undergone a period of rampant growth, with all the operating problems that entails. Although it was established 22 years ago, NBB was until 1974 a small domestic concern with assets of no more than BD 32m ($83m).

By the end of 1976 assets had increased five times without any change in the way the bank was run. To put the whole operation on a sounder footing, a restructuring of management was required, together with an injection of people from out-side the bank who had both practical and academic training in banking.

Oldest

Over the past two years new departments have been set up and developed, and an in-house training programme has helped to attract and retain qualified Bahrainis. The re-organisation is now complete, and NBB says it looks forward to an aggres-sive marketing year with a loan growth target of 12 per cent.

BBK has grown to second place in the space of seven years, and is now introducing more American systems and embarking on a programme of computerisation. It plans to open three new branches in Bahrain this year, and the establishment of the Kuwait branch last spring may soon put BBK ahead of its nearest competitor in terms of size.

The third locally-owned retail bank, Al-Ahli Commercial Bank, has made a promising start and with 22,000 shareholders is assured of widespread support. It was launched with a capital of BD 2m ($5.2m) and has since called in an equal amount. Balance sheet funding after four months of operation was BD 18m ($47m), with a target of BD 30m by the end of the year. The loan target is BD 20m, with a strong portfolio in trade but only selective involvement in real estate.

Despite its small size and lack of track record, Al-Ahli has been able to gain acceptance in the international market because of its technical assist-ance contract with Bank of America.

The Bahrain Islamic Bank is expected to open in the second half of the year. Its authorised capital is BD 20m ($52m), with one quarter already paid up. Bahrain's Ministry of Justice and Islamic Affairs, the General Fund for Social Insurance and a group of 125 Bahraini merchants each hold 10 per cent of the equity. At least another 30 per cent is held by various government, religious and finan-cial interests in Kuwait, and 5 per cent by the Dubai Islamic Bank.

Although usury is against Islam, profiting from investment is not. Success depends on the business acumen of the invest-ment committee, since the bank shares the risk of any project it helps to finance.

The Housing Bank, also due to begin operating this year, has an authorised capital of BD 40m ($104m). The Govern-ment has pledged BD 75m to housing over a three-year period, including an initial BD 15m in capital for the bank. Its objectives are to make loans to citizens to build their own homes; to give credit for the construction of residential or commercial buildings; and to encourage the local manufac-ture of building materials.

Although the national insur-ance companies in Bahrain do not hold quite such a dominant position as the national banks, their importance is growing rapidly with the securing of such accounts as Gulf Air, Banoco (Bahrain National Oil Company) and Balexco (the aluminium extrusion company).

Training

Of the three general insur-ance companies—a fourth con-centrates on motor business —the oldest is Bahrain Insur-ance Company, founded in 1969 with a one-third interest held by the State Insurance Organi-sation of Iraq. Its annual pre-mium income is now over BD 2.2m and despite a couple of expensive fire damage claims last year, the company made a profit of BD 306,000, nearly 40 per cent up on 1977. It has branches in Dammam (Saudi Arabia) and Dubai.

Al-Ahlia Insurance Company, which is totally Bahraini owned, was established in 1976 with an authorised capital of BD 1m, of which half has been called up. Premium income rose 88 per cent in 1978 to over BD 1m, and profits of BD 171,000 rep-resented a 90 per cent increase over 1977. The company re-cently opened a branch office in Al-Khobar in Saudi Arabia.

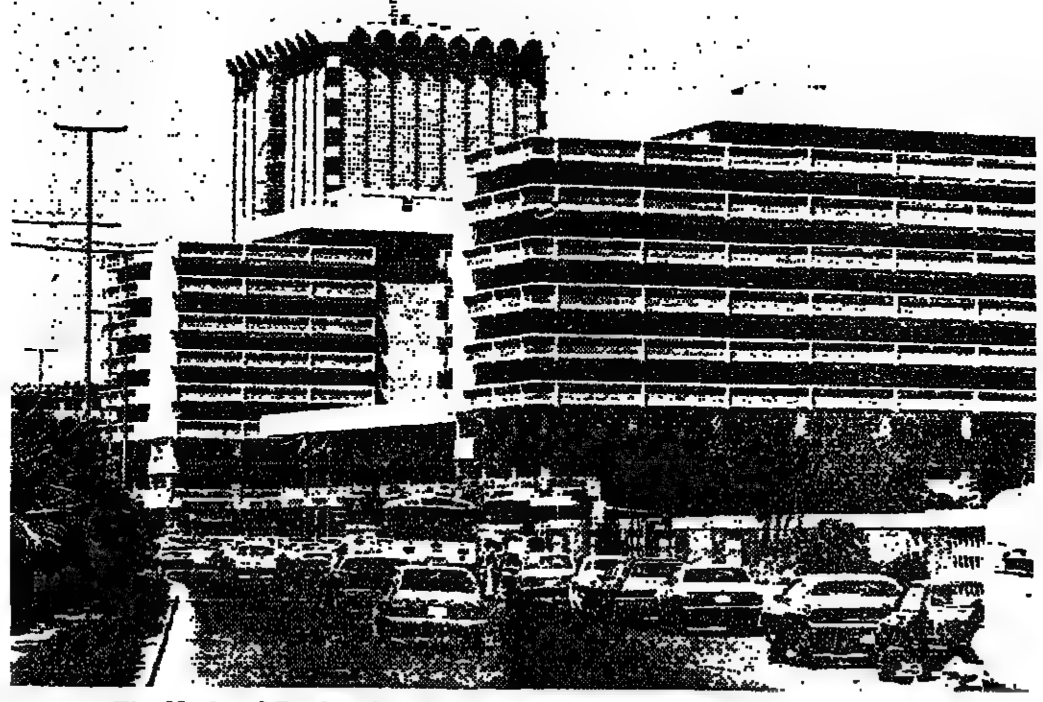
Al-Ahlia is the servicing office representing the consortium of national companies of the four shareholding states in Gulf Air; it also leads on behalf of the Bahrain national companies in the two local industrial con-tracts.

Bahrain Kuwait Insurance Company opened with a capital of BD 1m at about the same time as Al-Ahlia. It has a 40 per cent Kuwaiti shareholding which the company hopes to in-crease to 50 per cent in order to open a branch in Kuwait.

However, it is believed that Warba, the only Kuwaiti insur-ance company not already par-ticipating in BKIC, has declined the invitation to buy in.

While this Bahrain based com-pany hankers after the Kuwaiti market, there is a growing move-ment in the other direction. The Pearl Investment Company and the Arabian Development Com-pany are the first two Kuwaiti institutions to obtain registra-tion under Bahrain's Exempt Company Law, which makes no stipulation about local participa-tion. However, both of them have offered shares for public subscription on a Gulf-wide basis.

A number of Kuwaiti com-panies have applied to go off-shore from Bahrain. They include a major promoter of industrial and agricultural pro-jects, several firms in the financial sector and a joint Kuwaiti-Bahraini insurance ven-ture.



The National Bank of Bahrain (left), and the Manama Centre building

BAHRAIN COMMERCIAL BANKS
PERFORMANCE IN 1978

† Assets BD million	Bank	† Profit BD million 1978	1977	% Return on average assets
231.575	National Bank of Bahrain	2.924	2.892	1.40
222.082	Bank of Bahrain and Kuwait*	1.568	1.790	0.90
90.586	Chartered Bank	1.645	1.196	1.91
62.177	British Bank of the Middle East	0.707	0.954	1.00
51.173	Citibank	0.349	0.097	0.97
38.180	Bank Melli Iran	0.166	0.905	0.43
21.005	United Bank Limited	0.470	0.430	2.24
15.368	Bank Saderat Iran	0.478	0.277	3.02
14.841	Arab Bank Limited	0.185	0.173	1.42
13.175	Grindlays Bank	0.238	0.105	2.05
10.351	Banque de Paris et des Pays-Bas	0.205	0.685	1.24
10.140	Habib Bank Limited	0.235	0.192	2.45
7.393	National Bank of Abu Dhabi	0.151	0.086	2.39
6.861	Algemene Bank Nederland	0.121	0.077	1.59
6.123	Continental Bank	(0.106)	(0.137)	(2.06)
5.759	Chase Manhattan Bank	0.389	0.003	6.00
5.366	Rafidain Bank	0.119	0.152	2.08
4.002	Banque du Caire	0.140	0.127	3.50

* Including items classified under Offshore Banking Unit.
† Net profits for locally incorporated banks are shown after provision for bad debts, while those of branches of foreign banks are shown before this provision. Assets do not include contra accounts.
BD 0.384 = U.S.$1.

A highly successful operation

OFFSHORE BANKING

JOHN TOWNSEND

BAHRAIN'S 50th Offshore Banking Unit—Bank Bumiputra of Malaysia—was opened for business in April. There is no doubt that Bahrain's offshore banking experience has been highly successful so far, and, given the maintenance of the principles and rules which governed its establishment and which have controlled its operation, there is no reason why this record of achievement should not continue.

But the euphoria and confidence that success has brought might mask these principles and rules. The most important principle in the original OBU conception was that only banks with established international reputations would be licensed to operate offshore in Bahrain. So far this rule has not been broken; the "instant banks" of the Lower Gulf, set up in the boom conditions of 1975 and 1976—sometimes without adequate resources and professional management, and without reputations—have no place in Bahrain.

This continuing insistence on quality is the best control that the Bahrain Monetary Agency (BMA) can exercise on the offshore banking operations in Bahrain. Banking, like most business, is a matter of confidence. Banks with established international reputations cannot afford to take on business which might give rise to a risk that they would be unable to meet their obligations.

Again, Bahrain is in the limelight of international banking, and so the offshore banks represented there have ensured that their local management is of top international quality. The time for the international banking community to start worrying about the Bahrain offshore market will be when the BMA starts issuing licences to new banks set up with local or regional funds expressly for the purpose of entering the market.

In addition to the great care it exercises in issuing offshore licences, the agency watches OBUs carefully to ensure that they do, in fact, always meet their obligations. In addition to formal monthly returns, in a small community like Bahrain, the BMA management is able to keep well-informed on most important deals.

This is not to suggest that the Bahrain offshore market invariably operates calmly or without problems. It is, of course, vulnerable to political squalls and storms in the Middle East, to the actions of other governments and other central banks in the Gulf and the Arabian peninsula, to movements of the dollar, and especially to the fact that the regional currencies in which it conducts about a quarter of its business (the Saudi riyal, the Kuwaiti dinar, the Qatarai rial, the UAE dirham and the Bahrain dinar) are themselves not firmly established as international currencies.

In fact, the business in regional currencies probably gives most Bahrain OBU managers rather more worry than their dealings in dollars or other established international currencies.

Linked

The supply of these regional currencies is directly linked to the spending of the governments of Saudi Arabia, Kuwait, the UAE, Qatar and Bahrain. If these governments do not spend the dollars that they receive for their oil exports at the same rate that the private sectors in these countries is needing local currencies to pay for imports, then there can be a shortage of the currency concerned. In other words, as one Bahrain OBU manager put it, the regional currencies market lacks depth.

It is unthinkable that the Eurodollar market, for example, could ever run out of dollars, but quite conceivable for the Bahrain offshore market to run out of dirhams, or Saudi riyals. So far, this has not happened, but it is an ever-present concern to Bahrain OBU managers, as is their consequent concern about matching all their short-term regional currency liabilities with appropriate regional assets.

A shortage of currency was behind the small storm which blew up in offshore Bahrain at the end of 1978 and continued into the first months of this year.

The storm started with President Carter's package for the support for the dollar, announced on November 1. This had the effect of strengthening the dollar and in turn caused the Gulf oil producers to leave relatively more of their money in dollars, a trend reinforced by nervousness in the region because of the situation in Iran, and by the general downturn in government spending in the region.

As a result, of course, governments did not release regional currencies into the market at a rate matching the demand. Short-term rates accordingly rose sharply, and a considerable volume of Kuwaiti dinars was attracted to Bahrain, much to the annoyance of the Central Bank of Kuwait.

The Kuwaitis retaliated by adjusting their definition of the liquid assets of the commercial banks. In other words, the Central Bank ruled that all deposits of up to one month were to be regarded in future as liquid and were to be kept in Kuwait.

This action caused a certain amount of anger, with bankers in Bahrain complaining that the Kuwaitis were trying to put them out of business, and Kuwaiti bankers asserting that the Bahrain OBUs were making excessive profits at their expense.

Like so many things in the Gulf, this storm tended to be over-dramatised: an official source in Bahrain, while admitting the fundamental causes of the dispute, pointed out that offshore business in Kuwaiti dinars in Bahrain did not total more than 4 per cent of the total market. The whole episode could be summed up as growing pains, as central bank governors and monetary agency directors come to understand precisely what a free international market means.

The foreign exchange dealing room at R. P. Martin in Manama, one of the largest dealers in the Gulf

Many OBU managers in Bahrain worry also about Saudi Arabian policies and the effect that any sudden change of direction in the Kingdom might have on the availability of Saudi riyals. Business in Saudi riyals represents by far the most important part of the offshore busineses in regional currencies and about 20 per cent of total business.

If the Saudi Arabian Monetary Agency (SAMA) were to insist that all original holders of Saudi riyals should deposit their holdings with it and then to ration, as it were, Saudi riyals to the Bahrain offshore market through the Saudi National Commercial Bank (due to open its Bahrain offshore branch in May), liquidity of the Bahrain offshore market could be affected considerably.

Although in the sometimes topsy-turvy world of the Gulf nothing is impossible, it has to be remembered that the Saudis are above all businessmen and that in the National Commercial Bank (wholly owned) and the Gulf Riyad Bank (in which the Riyad Bank has a 60 per cent holding and Crédit Lyonnais 40 per cent), SAMA has itself a vested interest in the continuing commercial health and profitability of the Bahrain offshore market.

Although the vast majority of OBUs make a profit after they have been established for 12 months, profit margins are inevitably being squeezed as more international banks establish offshore branches in Bahrain. And although business in 1978 was substantially up on 1977, the rate of increase has tended to flatten out.

Expenses

The BMA says that the average OBU has a balance sheet of $450m, that its annual expenses are currently of the order of $1m and that it makes a higher profit of about $1m. Some bankers say that their expenses are higher and their profits not quite as much. For all that, it is difficult to find in Bahrain an established OBU manager who is really worried about his bank's position in the market.

Expenses for OBUs are, of course, direct foreign exchange earnings for Bahrain. So, in 1978, the OBUs earned some $50m for Bahrain, not a vast amount when compared to Saudi, Kuwaiti or UAE oil revenues, but a healthy contribution to an economy which is trying hard to move away from being oil based.

In fact, the overall contribution to the Bahrain economy and the State's foreign exchange earnings are very much greater. For much of 1979 it has, on paper at least, been cheaper to borrow Saudi riyals in Saudi Arabia rather than from the Bahrain's offshore market.

The Bahrain offshore market was created in boom conditions, with the oil-producing states of the Gulf earning substantial financial surpluses, and with a high volume of government expenditure pumping regional currencies into international circulation. Now the Arabian peninsulas and the Gulf are moving out of this surplus and, with most major infrastructure projects either complete or in hand, government spending in the area is tending to decrease.

Others make the point that the Bahrain offshore market has been (like all such intermediary markets) essentially a market for short-term funds, with the implication that the Bahrain OBU experience might itself prove to be a short-term phenomenon, though a highly successful and profitable one.

There is no reason why this gloomy view should prove to be correct. One of the strengths of the Bahrain OBU market has been, as was pointed out above, the insistence by the BMA that only recognised international banks with an established reputation should be given licences to open offices.

OFFSHORE BANKING UNITS

	Liabilities (U.S.$m)			Assets (U.S.$m)		
	1978	1977	1976	1978	1977	1976
Banks	17,947	11,770	5,536	16,405	11,478	4,426
Non-banks	4,786	3,513	598	6,166	3,705	1,734
Other accounts	708	418	80	870	518	54
Arab countries	11,666	8,254	2,578	11,688	7,065	2,487
Western Europe	7,018	4,995	2,277	5,301	3,903	1,139
Offshore centres	1,850	1,538	923	2,971	1,888	1,241
Other accounts	1,016	493	222	3,204	2,376	1,344
North America	1,891	410	214	277	468	13
U.S. Dollars	15,459	11,268	4,471	16,031	11,594	4,387
Regional currencies	6,720	3,567	1,169	6,075	3,241	1,196
Other	1,262	866	574	1,335	866	631
Up to 7 days	5,078	3,344	1,714	2,793	2,259	1,039
8 days to 1 month	7,420	6,224	2,131	5,846	4,180	909
1 to 3 months	6,101	3,306	1,487	6,598	3,538	1,517
3 to 6 months	3,590	1,973	681	4,230	2,850	1,164
6 to 12 months	881	504	149	1,152	826	445
12 to 36 months	174	53	43	1,112	811	662
Over 3 years	197	97	9	1,710	1,237	458
Totals	23,441	15,701	6,214	23,441	15,701	6,214

Planning the future as reserves dwindle

OIL

KEVIN DONE

BAHRAIN IS one of the oldest oil producers in the Gulf—the first exports began in 1934—but it has only limited reserves. With production falling steadily each year and only limited potential for new discoveries, the State is having to look with increasing urgency at the possibility of improving the rate of recovery of crude oil from its existing onshore fields.

Recent oil industry estimates have suggested that there is as much extra oil to be gained from existing fields around the world through techniques of enhanced recovery as is to be found from new discoveries.

At present about 70 per cent of the oil in commercial fields is left in the ground because it is either too difficult or too costly to extract. Given the right conditions and financial incentives, the oil industry should be able to improve the recovery figure to at least 40-45 per cent., and in many fields it should do a lot better.

Bahrain still has estimated recoverable reserves of about 300m barrels of crude oil, but at present production rates these reserves will run out by the end of the century. It is the first Gulf oil state to have to face the immediate prospect of dwindling oil output, and as a result was the first country in the Lower Gulf to start diversifying its activities by developing other industries.

Bahrain has never been a big oil producer. Output from its onshore fields totalled an average of only 55,300 barrels a day last year, a drop of 5 per cent on 1977. But crude oil has still been the linch-pin of the island's economy since the 1930s, when the fortunes of its pearling industry reached the nadir.

Emphasise

Oil production this year has shown another fall, however, and in the first three months averaged only 50,900 barrels a day (the equivalent of a small North Sea field). Output in the first quarter was 8 per cent down on the same period last year.

The steady fall in production emphasises the importance of the study commissioned last year by the Bahrain National Oil Company into possible enhanced recovery techniques that could be used to eke out the country's supplies. The study is being carried out by Standard Oil of California (Chevron), the U.S. oil company, and should be completed by early 1980. The investigation, begun in the middle of last year, is likely to cost about $2m.

Bahrain's present estimate of 300m barrels of recoverable oil reserves assumes a very conservative recovery rate. The reserves could perhaps be added to significantly if the rate were increased significantly by new techniques.

With only a few exceptions the oil that is currently produced from the world's oil fields flows to the surface either as a result of natural reservoir pressure or by means of injected water or gas.

The secondary recovery techniques of gas or water injection have been in use in Bahrain for a number of years. After a field has been in operation for a number of years, however, the injected water begins increasingly to by-pass areas of oil as it moves through the reservoir.

The well produces increasing amounts of water—and gas if this form of injection is being used—and eventually a field can become uneconomic even though up to three-quarters of the original oil contained in the reservoir is still left behind.

Recovery of the remaining oil, which clearly can be a massive quantity, presents the oil industry with one of its greatest technological challenges.

No ready-made solution to improving a field's recovery rate exists, but Bahrain, along with the rest of the world's oil industry, is considering techniques such as injecting steam, pumping chemical solvents or carbon dioxide into the reservoir, or even the controlled use of flash-fires deep underground to loosen the oil.

The costs of oil produced in this way will be much higher than conventional recovery methods and the minimum price of oil needed to justify such techniques would range from about $11 a barrel to as high as $32.

Such prices might have appeared prohibitive as recently as last year, but the oil price increases imposed this year by members of the Organisation of Petroleum Exporting Countries suddenly have made the cost of enhanced oil recovery much less daunting.

However, it is not only the prospect of prolonging the crude oil reserves which ensures that the oil industry will remain a major part of Bahrain's economy for many years to come. The island also supports a 255,000 barrels-a-day refinery—operated by the Bahrain Petroleum Company, a subsidiary of Caltex of the U.S.—and it has made significant discoveries of gas in recent years, which are already fuelling a major part of Bahrain's heavy industry.

With the exception of the refining company, the Bahrain Government is in the process of carrying out a 100 per cent takeover of the country's oil industry, with the resulting interest being vested in the state-owned Bahrain National Oil Company, set up in 1976.

Despite the dwindling oil reserves, the national oil company quickly embarked on a scheme to conserve associated gas, which is produced along with the crude oil. The $100m project is similar in concept to the much larger-scale gas recovery schemes under way in neighbouring states such as Kuwait, Abu Dhabi and Saudi Arabia.

Schedule

Feasibility work on the natural gas liquids plants, which will produce 75,000 tonnes a year of propane, 80,000 tonnes a year of butane and 125,000 tonnes a year of condensate, started only in mid-1977. But construction is ahead of schedule and mechanical completion is expected by October.

Production should begin next year at a level of 280,000 tonnes a year; but inevitably this will decline, along with crude oil production, at about 6½ per cent a year. The Bahrain National Oil Company is convinced the effort is worthwhile, however, and maintains that the scheme will have paid for itself in four to five years.

The state's estimated revenues from the oil industry are expected to reach about $418.5m in the current fiscal year, but this estimate is bound to be on the low side with oil prices rising much faster this year than expected.

Just over half of the money comes from the offshore Abu Safa field, which Bahrain shares with Saudi Arabia. The Saudis operate the field but revenues are shared jointly with Bahrain. All of Bahrain's own oil production is dedicated to the refinery, but it meets barely a fifth of the refinery's needs at peak capacity. The rest of the crude oil feedstock is supplied by Saudi Arabia by pipeline.

While oil production is in decline Bahrain can look to its reserves of non-associated gas as a more long-term support for the economy. Gas reserves totalling about 10 trillion cubic feet have been located in the deep Khuff rock formation, several thousand feet beneath the oil fields.

Production is already averaging about 360m cubic ft a day and of this about 116m cubic feet a day is used for power by the island's aluminium smelter, up to 100m cubic feet is needed for general electricity power generation and 90m cubic feet a day is re-injected into the oil reservoirs to maintain production pressure. The refinery is also a major consumer of gas.

There are definite hopes that further reserves of gas will be discovered in the deeper rock formations, but prospects for further oil exploration are less clear. The last well drilled onshore—last year—was dry, and the best prospects appear to lie in faults and traps in the existing fields.

The whole offshore area is being re-evaluated by the Government but a concerted exploration programme does not appear to be imminent.

هكذا منذ الاصل

BAHRAIN V

Risk of regional over-capacity

THE DRY DOCK

JOHN TOWNSEND

[S]EIKH KHALIFA bin Salman [Al] Mohamed Al-Khalifa, chair[man] of the Board of directors [of] the Arab Shipbuilding and [Rep]air Yard Co. (ASRY) in [Bah]rain, says that his company [is] open to suggestions from [oth]er owners of dry docks in [the] Gulf for some form of [co-o]peration. Although he did [not] mention Dubai's Sheikh [Ras]hid by name, Sheikh Khalifa [clea]rly has the massive three-[doc]k complex in Dubai in mind. [The] management of ASRY, the [OAPE]C Governments which own [the] shipyard, and the Govern[me]nt of Bahrain are all con[cer]ned that the lack of co-[ord]ination so far between the [two] dry dock projects in the [Gul]f could easily lead to a point[less] competition and significant [fina]ncial losses for the owners [of] both dockyards. There is [als]o the concern that this [app]arent failure to co-operate at [a] regional level could risk [tar]nishing the Arab image in [the] world.

[O]ptimism

[A]s far as the Bahrain dock[yar]d is concerned, Sheikh [Kh]alifa and the dockyard's [ma]nagement are showing a [cau]tious optimism on the yard's [ach]ievements to date and on its [im]mediate future. Inaugurated [jus]t 18 months ago, on Bahrain's [Na]tional Day, December 15, [197]7, the ASRY yard is making [ste]ady progress. When foreign [jou]rnalists ask "But is it making [a] profit?" the ASRY manage[me]nt points out, with consider[abl]e reason, that no such project [cou]ld be expected to make a [pro]fit within the first 18 months [of] its operation. Sheikh Khalifa [als]o points out that the original [OA]PEC feasibility report, which [bec]ame the basis for the deci[sio]n made to finance the ASRY [doc]kyard with OAPEC funds—[ma]de in 1973—envisaged a profit [of] the order of 3 per cent per [yea]r when the dockyard was [in] full operation. This calcula[tio]n was made on the basis of [pri]ces then ruling.

[T]he original objectives of the [OA]PEC drydock project went [far] beyond a concern with a [co]mmercial return on the [ca]pital invested as a top priority. Rather, priority wasto given to objectives permitting oil revenues to be invested in a project which would stimulate wider economic and social development in the region, which would foster regional economic co-operation and which would provide facilities for the training of Arab manpower. The OAPEC backers of ASRY were concerned with a return on their investment, but the pure commercial return, although by no means unimportant, was only one of a number of objectives.

Bahrain was chosen as the site for the OAPEC dry dock after extensive studies by the *OAPEC experts had demonstrated* that the State's geographic location vis-a-vis tanker routes, coupled with its *comparatively* large population, the level of educational attainment and technical skills of the population, and the communications and services available in the island, gave it a clear lead over other contenders. The decision of OAPEC was not accepted by Sheikh Rashid of Dubai, in spite of the fact that the United Arab Emirates was a major shareholder in the project. Accordingly, Dubai's Ruler went ahead with his own dry dock complex, which has three docks to Baharin's one.

The Bahrain drydock can handle VLCCs of up to 450,000 dwt in a 375 x 75 metre basin, and is equipped to carry out a full range of tanker repairs, from a simple hull scraping to major refits and marine insurance inspections. Its specialised workshops include plate, pipe *and mechanical shops*, as well as trade shops with a full range of ships' stores. The yard *carries out alongside repairs as* well as work in the drydock itself, and has a tanker cleaning facility.

The experience and expertise to manage the dockyard also had to be imported, and the ASRY Board chose Lisnave, otherwise Estaleiros Navais de Lisboa, SARL, a Portuguese dockyard company operating two shipyards and eight drydocks, and employing *10,000* people in its home country. ASRY's Lisnave managers who were involved in the project right from the start and who were present during every stage of the dock's construction have a ten-year management contract. They started operations in Bahrain with comparatively *simple mini dockings* and alongside work. The intention was to give both the management team *and the workforce time to settle* in and to function as an integrated unit. Gradually, each month, as *skills were perfected* and as confidence was established, more and more complex repairs were handled.

As a result, during 1978, almost 11m dwt of shipping was serviced in the drydock iteif and a further 5.5m dwt had repairs carried out alongside. Recent repairs include a new steering engine cylinder fitting, *hull cleaning* and painting for the Arab Maritime Petroleum Transport Company's Wahran *(392,372 dwt)*, a wide range of repairs, including a boiler refit and the withdrawal and replacement of a tailshaft. *for the same* company's 317,499 dwt Al Rafidain, a complex major repair schedule for the Canadian Pacific's 254,375 dwt I. D. Sinclair, and extensive underwater repairs to the 265,040 dwt Dalma. On February 17 of this year, the 392,607 dwt ULCC Bonn became the largest ship so far to be docked in the ASRY yard.

Altogether, in the first three months of 1979, a total of 2.9m dwt of *shipping* was *repaired in* the drydock and a further 1.5m dwt were repaired alongside. Drydock occupancy was 90 per cent over these three months, and the value of repairs per dwt rose as shipowners became more confident in the yard's ability and as the yard's management and technical teams developed their skills. At present the drydock basin is booked up for two months ahead. The management takes paids to stress, however, that it is not for big ships alone. In March of this year, three smaller vessels were repaired in the dock simultaneously.

The ASRY management cannot compete as regards price with yards in the Far East. Labour rates and the cost of services generally prohibit this, but the management claims that its charges are comparable with those in southern Europe and that they are cheaper than yards in Northern Europe. The ASRY management denies that it has cut prices in Bahrain to secure business.

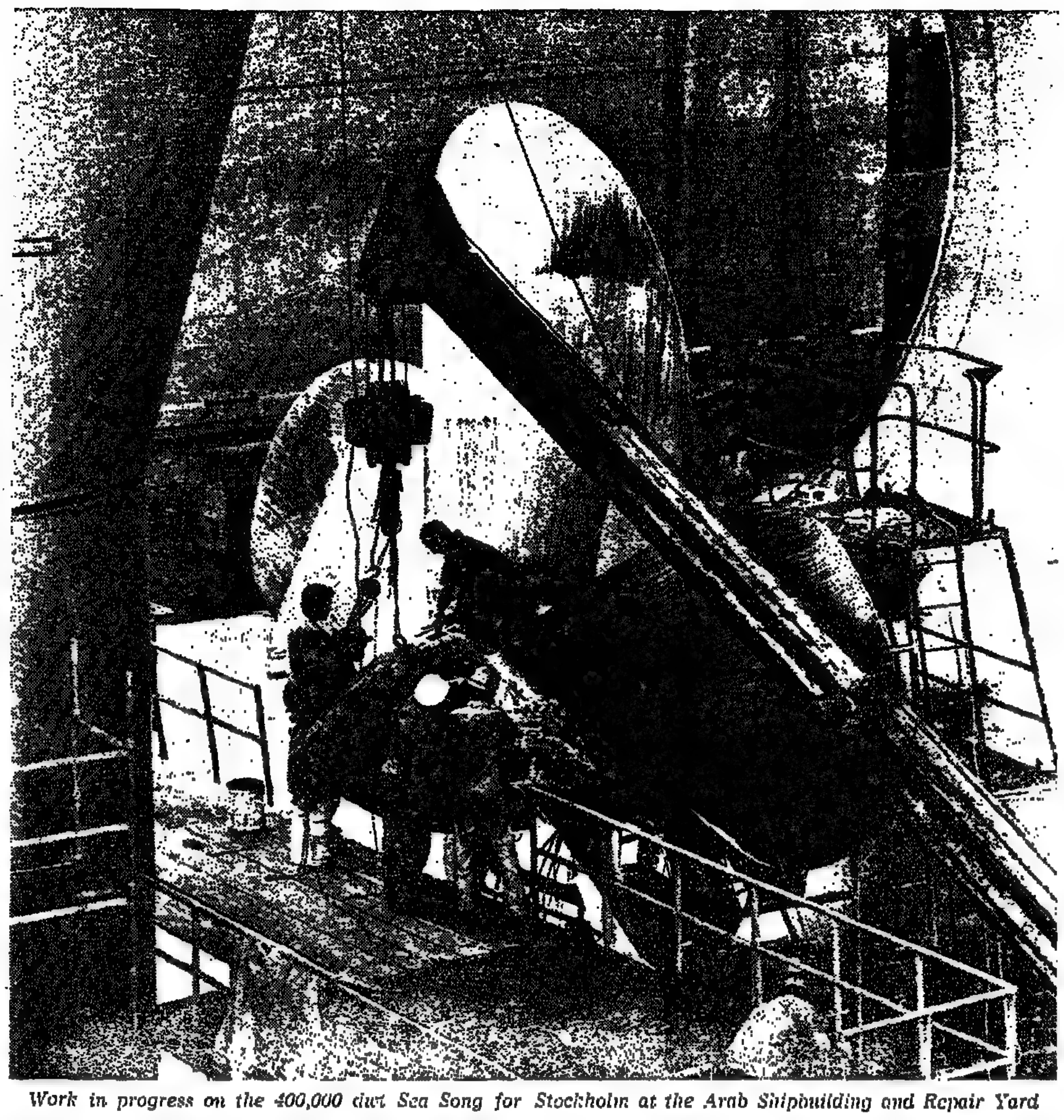
ASRY has tried to give priority to Arab workers, and especially to Bahrainis. Initially this has not always been easy, as there is a severe shortage of experienced technicians in the Gulf. Also, in the early days of the yard's operation, many workers recruited locally found the inside of a VLCC a somewhat frightening place. Currently, 42 per cent of the total labour force of about 1,100 people is Arab, with a further 20 per cent European, 18 per cent Indian and 20 per cent Filipino. The Filipino workers tend to fill the middle grade technical posts. Bahrainis in management include Mr. Redha Faraj as Finance Manager and Mr. Abdul Karim Mohsin as Personnel Manager.

ASRY is proud of its training school, and young Bahrainis are getting a first class technical training in the yard. So good in fact, that their ASRY training makes them much in demand on the labour market in the Gulf. Sheikh Khalifa, as chairman of the board of directors, is fairly relaxed about young Bahrainis leaving ASRY as soon as they have been trained, provided that they take jobs in the Gulf which offer them good futures. After all, he points out, the training of Arab manpower in a regional context was one of the original *objectives of the ASRY project*. But Sheikh Khalifa is far from happy about those young Bahraini *ASRY trainees who are* lured away by foreign contractors on short-term contracts with the promises of immediate high financial rewards, and who afterwards find themselves without jobs when the contract is finished.

The original objectives of the ASRY project included the "promotion of the social and economic *development* of Bahrain through the broadening of its economic base and the *diversification of its sources of* national income." It is clearly much too soon to be able to *detect a significant continuing* spin-off to the Bahraini economy from the ASRY yard. There is an immediate gain in that it provides employment, but against that Bahrain has no unemployment problem. The foreigners employed in the yard spend their earnings to no small extent in Bahrain on food, rent and services.

The joint ventures formed by ASRY — ASRYWELD with a Swiss company, ASRYPROPELX with a Dutch company, and Modern Clean with a South Korean company for, respectively, welding, propellor repairs and hull cleaning—mean some spin-off business to Bahrain. It is also not inconceivable to envisage the two small private sector ship repair companies, the Bahrain Slipway Co and the Bahrain Ship Repair Co, benefiting from the presence of the ASRY dock. These companies were set up originally to repair dhows and modern small craft of up to 1,000 tons.

With its birth pains now behind it, and blessed by a location astride major tanker routes, the ASRY dockyard could carve out for itself a significant place in the international ship repair market. The opening of the Dubai drydock complex worries the ASRY *directors for very obvious* reasons—hence their interest in finding some form of associa*tion with the Dubai yard at this* stage. ASRY believes that cooperation can lead to mutual *profit (if not necessarily a commercial* profit) as the Gulf becomes a major international ship repair centre, whereas competition between the two yards can only profit yards elsewhere in the world and at the same time do possible irreparable harm to concepts of regional economic co-operation in the Gulf.



Work in progress on the 400,000 dwt Sea Song for Stockholm at the Arab Shipbuilding and Repair Yard

ASRY OWNERSHIP

Saudi Arabia	18.84%
Kuwait	18.84%
United Arab Emirates	18.84%
Iraq	4.70%
Qatar	18.84%
Bahrain	18.84%
Libyan Jamahiriya	1.10%

ANALYSIS OF REPAIR WORK IN 1978

Mechanical work	
Tailshafts withdrawn in drydock and afloat	16
Replacement of shaft seals	18
Crankshaft overhaul	12
Turbo blower overhaul	26
Main bearing overhaul (bottom)	8
Overhaul of bottom valves	959
Piston withdrawal	38
Pipework	
Up to 50 mm diameter	5,799 metres
50-100 mm diameter	2,981 metres
100 mm diameter and above	3,371 metres
Electrical work	
Motors rewound—up to 10 hp	111
—10-30 hp	20
—30 hp and above	22
Transformers rewound	26
Coils rewound	103
Boiler and steel work	
Boilers repaired	33
Steelwork produced/installed	1,493 tonnes
External hull cleaning and coating	
High pressure washing, scraping, blasting and painting	4,193,349 sq metres

Source: ASRY.

Profits fuel plans for expansion

ALUMINIUM

MARY FRINGS

ALUMINIUM BAHRAIN has over the past nine months made a great deal of money for its shareholders.

Taking into account seven years of high costs and losses until recently the amount seems unexciting. But with Alba's new-found ability to control costs, and a buoyant world market, a consistent profit on the transfer price of the metal seems assured for some time.

Two important decisions have followed Alba's success. One concerns the 20 per cent equity participation of Saudi Arabia, which becomes effective on July 1; the other, a $120m expansion to the plant. Both projects have been talked about for a long time, but Government and industry sources deny that the two are linked.

The present shareholders in Alba are the Bahrain Government with 77.9 per cent, Kaiser Aluminium Bahrain 17 per cent, and Breton Investments 5.1 per cent. After parting with a quarter of its holding to Saudi Arabia, represented by SABIC (Saudi Arabian Basic Industries Corporation), the government still retains overall control.

No value has publicly been put on the shares, but the selling price is more likely to be based on a portion of the initial equity investment, plus an element of compensation for past losses, than on an evaluation of the smelter's present worth. If this proves to be the case, the Saudis are getting a highly profitable investment, because any new smelter will be built at three or four times the cost of Alba.

However, the most important aspect of the deal is its promise of co-ordination and a sharing of experience in future industrial development, after the signal lack of such co-operation with Dubai, which is also building a smelter.

The cast house at Aluminium Bahrain (Alba). The company currently produces 120,000 tonnes of aluminium a year.

Co-operate

Bahrain and Saudi Arabia first put their heads together on aluminium in 1976, to co-operate in purchasing raw material, smelting in Bahrain and facing world market forces.

But Alba was not making money then, and the participation plan was put on ice, partly perhaps the Saudis were wary of buying into a loss-maker, partly, in the words of the Minister for Development and Industry Mr. Yousuf Shirawi, because "we in Bahrain did not want to turn this policy of co-operation into a salvage operation."

Now the situation is very different. Spot prices for aluminium ingot have soared 50 per cent since last June. And in Alba itself, a determined cost-cutting campaign has resulted in significant savings in consumables and manpower.

The logical next step is that SABIC, having learned from Alba, should go ahead with its own 250,000 tonne smelter at Jubail—and that Bahrain should have a stake in it. Mr. Shirawi comments: "With the wisdom gathered over the past 10 years, it will be possible to save millions and millions of dollars in design, construction and training."

It is ironic that while Saudi Arabia burns off enough gas to smelt 6m tonnes of metal a year, the only two smelters to be built in the Gulf are in Bahrain, using unassociated gas which could have been left in the ground, and in Dubai, where there is little gas at all.

Saudi Arabia's 20 per cent shareholding in Alba may be matched by a 26 per cent holding in Bahrain Aluminium (Balco), the marketing organisation formed last year to sell Bahrain's 95,000 tonne share of annual production. No-one is prophesying whether the new partner will take its share of metal to feed its own downstream industries, or leave it to be sold on the open market.

The plant expansion project, which will boost Alba's rated 120,000 tpy (tonnes per year) production capacity to over 165,000 tpy, will be financed on a 3:1 loan/equity basis, with the shareholders contributing about $30m.

It has been suggested that the remaining $90m should be rounded up to $100m, and major onshore and offshore banks in Bahrain have been asked for their proposals and Gulf International Bank and NatWest have been appointed lead managers. Many of them already invest in Alba's short-term promissory notes, which provide the smelter with working capital more cheaply than previous revolving credit arrangements in London.

Alba could also seek export credit from any country willing to make a competitive offer, thereby reducing the amount it needs to raise on the open market. A British company supplied the original power station turbines, and if it is decided to keep the equipment the same then Britain's Export Credit Guarantee Department (ECGD) might become involved.

The main regret at Alba is that the incremental capacity, bringing with it a reduction in overall metal costs of $70 a tonne, is not available now. According to the provisional schedule, the first new line of 75 pots should be ready for start-up in March, 1981, and the second by October of the same year.

The first major contracts are expected to go out in two or three months time, and as much work as possible will be placed with local companies.

In the marketing field, the most important dealings are with South East Asia and the Far East. Japan has fallen back in recent months, but is expected to become the major customer again, with the recovery of the yen. In terms of volume, the regional market had a poor year in 1978, but improved in the first quarter of 1979.

Stockpiling

The policy of stockpiling against favourable market conditions has paid dividends. Balco shipped 119,000 tonnes of metal in 1978, drawing 24,000 tonnes from stock, and by the end of March this year had sold another 47,000 tonnes. The stockpile is now down to a working level of 15,000 tonnes, from a 1978 peak of 52,000.

Less than a quarter of the Government offtake is committed on forward contract, and because there is no need to be as cash-flow conscious as the aluminium majors, Balco can afford to take a harder attitude on price. But local consumers dependent on the smelter feel that to some extent they are getting a raw deal.

The market value of saleable aluminium production in 1978 has been put at nearly $135m. Deducting the cost of imported raw materials only—a fairly rough and ready way of accounting—value added is around $86m. Foreign exchange earnings for the period would be a little lower, to exclude 5 per cent of production sold locally, and servicing payments on foreign loan capital.

If prices maintain their current levels, value added for 1979 is projected at U.S.$130m. Local sales are then expected to have climbed to 10 per cent of saleable production.

In addition to its increasingly valuable contribution to the economy in terms of foreign exchange Alba employ 1,500 Bahrainis, just under 4 per cent of the working population. The continuing cutback in jobs—500 last year with another 150 due to go in 1979—arouses criticism whenever it affects local employees. Labour authorities in Bahrain find it hard to accept that a highly competitive industry cannot afford to carry dead wood.

Alba maintains that the turnover in Bahraini labour has always been high, although there are recent signs of stabilisation. Very few nationals have had to be made redundant, and of a total workforce of 2,150, only 130 are expensive western expatriates. The shortage of Bahrainis of the right calibre has led to the recruitment of 650 skilled workers from the East—but the company invested $3.25m in its local training programme last year, and will put in more than $2.5m in 1979.

Compared with Alba, Bahrain's three main aluminium processing companies provide little local employment. There are dedicated primary metal men in the industry who would like to see all further proposals for downstream projects abandoned, arguing that their economic impact is small and the problems of competing with industrialised exporters, in a field where cheap energy is not the over-riding factor, are immense, while in some cases they also face competition from local plants.

Nevertheless, the Doha-based Gulf Organisation for Industrial

CONTINUED ON NEXT PAGE

Valuable link with New Zealand

JOINT VENTURE

JOHN TOWNSEND

IT STARTED when Bahrain's Minister of Industry and Commerce, Mr. Yousuf Shirawi, visited New Zealand in 1976. His New Zealand hosts wanted some form of joint venture project which would encourage the sale of New Zealand products in the Gulf. A handling and storage facility in Bahrain's free zone seemed to be a good idea.

This good idea was looked at in more detail when New Zealand's Prime Minister Muldoon visited Bahrain in April, 1977. Formal negotiations at Government level continued when Bahrain's Prime Minister visited New Zealand.

The eventual agreement between the two Governments called for a $10m project involving the construction of a cold store and dry goods warehouse in Bahrain's Mina Sulman, the building of a special four-berth jetty, and the formation of a trading company to import and distribute goods throughout the Gulf. Subsequently, the concept of the special jetty was dropped from the project.

Both Governments decided that, once the broad outline of the project had been agreed at official level, it should be handed over to the private sector.

Accordingly, last year the BANZ Trading and Storage Company was established, with 51 per cent of the capital coming from Bahrain and 49 per cent from New Zealand. The company's original capital was fixed at BD 1.6 million.

Three Bahraini companies, the Bahrain Investment Company, the General Trade, Food and Processing Company (Trafco), which specialises in food imports, and the National Import and Export Company, Bahrain's biggest importer of cement, rice and sugar, have each taken 17 per cent of the equity of the joint venture.

So far, the New Zealand 49 per cent of the equity is in the hands of the government-owned Export/Import Corporation, though it is intended that ultimately the New Zealand private sector will buy shares in the company.

The BANZ Trading and Storage Company has two major business objectives: trading and the warehousing of foodstuffs and other consumer goods.

Each profit centre is to be separately managed. A general manager for the trading operation has been appointed, and the company looks forward to building up a thriving business throughout the Gulf and the Arabian peninsula.

For the warehousing side, negotiations have now been completed with a specialist British group with extensive international interests; this group will provide the management of the company's storage facilities.

Lease

The company has a 25-year lease on 25 acres of land in the free zone of Bahrain's Mina Sulman port area. So far, one third of this area is being used as the site of the first warehousing, cold storage and container park installation.

The contract for the construction of this installation was let in October, 1978 and completion is expected in September of this year. The company plans to begin operations in October.

Also being constructed is a cold store, a dry goods warehouse and a container park. The cold store has three sections: two rooms with a total area of 675 square metres and a temperature range of —26 degrees C to 2 degrees C, a further three rooms totalling 1,012 square metres with a temperature range of —15 to 2 degrees C, and five rooms making up 1,350 square metres with a temperature range of —1 to 16 degrees C.

The cold store has also 1,125 square metres of airconditioned storage. The dry goods warehouse has 2,400 square metres of storage space extending seven metres upwards with provision for four racks of palletised containers. The outdoor container park has space for 70 dry containers and 72 refill containers.

Although the original purpose of the joint venture was to promote and facilitate the import of goods from New Zealand in to the Gulf, the objective of the company as now established is to operate as a profitable international trading venture.

Naturally, New Zealand imports will be an important element in its operation, but in no sense is the company to be tied exclusively to New Zealand goods.

In the words of BANZ Trading and Storage Company's chairman, Bahraini businessman Mr. Ebrahim Eshaq, the company will be operated to make a profit, irrespective of the origin of the goods it is handling. Mr. Eshaq says the company would be offering both to foreign exporters to the Gulf and to the Arabian peninsula and to local importers a modern, well-managed warehousing, handling and distribution service in addition to its own trading activities.

Its location in Bahrain's free zone should mean that bulk shipments can be rapidly broken up and distributed to Gulf markets at minimum cost. The project is a notable addition to the Bahrain service economy.

BAHRAIN VII

Project begins to move

THE CAUSEWAY

MARK MEREDITH

[THE past four years, the [illegible] of a 25km causeway link- [illegible] hrain to the eastern coast [illegible] di Arabia has been about [illegible] ngible as the channel [illegible] is to Britain and France. [illegible] most Bahrainis the cause- [illegible] a pink dotted line on the [illegible] map, marking the pro- [illegible] route and thrusting out [illegible] from north-west coast of [illegible] and. [illegible] now something is moving [illegible] at will be one of the [illegible] construction projects in [illegible] ddle East, already valued [illegible] bn by one would-be [illegible] pants. [illegible] nt Saudi-Bahraini techni- [illegible] ssion flew to the World [illegible] in Washington late in [illegible] carrying pre-qualification [illegible] tions from 33 inter- [illegible] l consortia, representing [illegible] companies. The Arab [illegible] wants World Bank [illegible] to assess the applica- [illegible] nd prepare a short list of [illegible] 10 to 15 consortia. These [illegible] will be invited to bid [illegible] around September, and [illegible] tract could be awarded [illegible] the end of the year. [illegible] e is still a considerable [illegible] e of "I'll believe it when [illegible]" among major foreign [illegible] tors passing through [illegible] but Government [illegible] hope the project could [illegible] about March of next [illegible] Building is likely to last [illegible] d-a-half years. [illegible] visit by the technical [illegible] to the World Bank is [illegible] ant as it illustrates the [illegible] by wealthy Gulf states [illegible] tinise much more care- [illegible] he tenders from indus- [illegible] untries. [illegible] construction boom which [illegible] d the 1973 oil price rise [illegible] t Saudi Arabia, in par- [illegible] feeling that it had been [illegible] ed by international con- [illegible] taking advantage of [illegible] nexperience in handling [illegible] international contracts. [illegible] d in 1977 to the row in [illegible] Dr. Ghazi al Gosaibi, the [illegible] Minister of Industry, [illegible] electrification bids [illegible] Western and Japanese [illegible] les accusing them of [illegible] prices and awarded [illegible] contractors from South [illegible] d the subcontinent. [illegible] background to the cause- [illegible] ells much about the [illegible] s between Bahrain and [illegible] Arabia. The project is [illegible] entirely financed by the [illegible] while Bahrain will, on [illegible] gain most in commerce]

from the road link.

Then, too, Bahrainis with a training (but not enough money to commute by air), might be tempted by the prospect of a short trip by road to a better-paying job in Saudi Arabia.

The historical bonds between the two countries and especially between the ruling families on both sides, the House of Saud and the Al-Khalifa family of Bahrain, are extensive and complex. Saudi assistance to its less-well-off island neighbour is immense in its scope, as well as its generosity.

While maintaining that such assistance has no political, social or economic strings, a Bahraini minister described the causeway as an extension of the Saudi mainland. He also thought that Saudi Arabia did not wish to see its small neighbour lag behind it economically and become the source of discontent or possible unrest in future. Bahrain's educated population could easily become disquieted by glaring inequalities, he thought.

Extensive

The links that already exist across the Gulf of Bahrain are extensive: 25 flights a day to Dhahran and numerous trips by motorised Dhow.

A four-lane road link, although bringing the two countries closer together, is unlikely to change the more pragmatic Bahraini life style. Indeed, it is the less austere, more tolerant atmosphere of Bahrain that is likely to be the main attraction to Saudis living on the eastern coast.

Once complete, thousands of Saudis are expected to pour across the causeway, especially at the Arab weekend on Friday to savour the much brighter lights of Bahrain entertainment.

Then, too, Bahrainis with a training (but not enough money to commute by air), might be tempted by the prospect of a short trip by road to a better-paying job in Saudi Arabia.

The discreet acceptance of alcohol and the growth of leisure industries (there are already five discotheques in town), make some Bahrainis worried that Manama, the capital, could become a kind of "Soho of the Gulf." But whatever the commercial pressures, Government officials and leading expatriates on the island believe leisure will be gently but firmly controlled.

The engineering specifications for the causeway were drawn up following a study by Saudi-Danish consultants.

The project description calls for the causeway to be made more of bridges than rockbed embankments: 12 kms of bridgework and 10 kms of embankment. This is to allow a good flow of water north and south through the Gulf of Bahrain which will prevent the gradual formation of a large bay of brackish water to the south of the causeway.

Four navigational channels are required although ship traffic is on a small scale. The water is shallow and there are no major ports on either side. Dhows, tugs and barges with a maximum tonnage of 2,000 tonnes form the main sea-going traffic.

To allow ship clearance, the main navigational channel will require a bridge wth a height of 28.5 metres above water level and a span of 120 metres. The other three bridges require a 15.5 metres clearance while further bridgework will be about five metres above water level.

The steel needed for the bridge superstructures is estimated at over 110,000 tonnes, while the substructures will require thousands of tonnes of steel piles and casings.

The piles will be driven 16 metres down to rockbed and then sealed-off with concrete to prevent corrosion. Reinforced concrete piers will support the superstructures.

The Arab Ship Repair Yard (ASRY) in Bahrain would be well placed to construct the box girders.

Rock for the embankments—nearly two and a half million cubic metres of it—will be available from quarries on the Saudi side near Dhahran and from the United Arab Emirates. An additional half million cubic metres of armoured rock will line the embankments to prevent wave damage.

The causeway route will leave the populated northern quarter of Bahrain island north of Al Jasra on the west coast, veer slightly to avoid an archeological site, and then head west to Umm Nasan Island, about four and a half kilometres away.

Umm Nasan will become the site of the Bahraini customs and immigration offices as well as the causeway control centre.

The embankment and bridgework then heads west to the Saudi mainland, coming ashore about six kilometres south of Al-Khobar.

The causeway construction will, in turn, breed contracts for feeder roads at both ends. There is already talk of a new town of 5,000 houses at the Bahraini end. Accommodation will also be necessary for the vast workforce likely to be 80 per cent made up of expatriate labour.

Route

The Bahrainis hope that the headquarters for the work will be on the island although, according to the description of the route given to applicants, construction work will move from west to east.

The Bahraini Government has already prepared the eventual route linking the causeway to Manama and the port of Mina Sulman by buying up the land across the island to head off speculation.

Among the applications now under consideration by World Bank experts are those from major British companies, plus a few American and some Japanese and Korean companies. Most of the bidders are Saudi companies who would sponsor an international contractor as a partner.

The best-known on the scene so far is that of the Saudi entrepreneur, Adnan Khashoggi, who in 1977 announced a consortium formed under his Triad multinational organisation with the Redpath Dorman Long division of British Steel, hoping to negotiate the contract before it went to tender.

The $1bn estimate of the cost came from Mr. Khashoggi. The estimate from the Bahrain Government and the Saudi Ministry of Transport has been lower, at $800m.

Profits

CONTINUED FROM PREVIOUS PAGE

Consulting has been entrusted with a feasibility study for a rolling mill. It will weigh the comparative advantages of a large-volume hot rolling mill, requiring a smaller per-tonne capital investment, or a more expensive strip-caster able to operate economically at lower capacity.

Among the existing "semis," Bahrain Atomisers International is the least affected by the sharp rise in the cost of its feedstock. This is because, like Alba, it is purely a conversion company. It takes metal from the shareholders, the Bahrain Government and Eckhart-Werke (who have an interest in Alba through Breton Investments) and turns it into aluminium powder for a fee to cover operating costs.

The Government is entitled to 51 per cent of the atomiser's capacity, but is currently utilising only about 15 per cent, even though powder can be sold to EEC countries without incurring the 7 per cent duty imposed on ingot. Eckhart has wanted all the powder it could get, and the plant has been running at its rated 3,000 tpy capacity apart from two interruptions due to accidents during the past four months.

Balexco, the $10m Government-owned extrusions company, is in the less happy position of struggling to make a profit while paying the full commercial rate for its raw materials and services.

A world-wide shortage in the market for extruded aluminium section—the first in eight years—has enabled Balexco to push up its product prices against the $500 a tonne increase in the cost of billet. "But now we need a period of stability," says plant manager, Derek Peden, of the Swiss management company, Alusuisse. He believes Balexco will break even this year, but is unlikely to show a profit until it is operating at full capacity (4,000-5,000 tpy).

The plant was 500 tonnes below its 1978 target of 2,500 tonnes, because of the failure of the water supply from the neighbouring Sitra Power Station. It is aiming at 4,000 tonnes for 1979, and has been working three shifts since the beginning of the year.

Balexco feeds a number of small fabricators round the Gulf and is now selling through Kuwait into Jordan. A lot of new business is being created by two offshore companies in Bahrain. Sprung Instant Structures, which supplied the tented exhibition centre in Bahrain, is buying 400 tonnes of aluminium section this year for major projects in the Middle East, and could soon increase its take-off to 1,000 tpy.

Sprung's orders are for mill-finished product, and are particularly welcome because Balexco can extrude more than it can anodise.

The other offshore customer is Arabian Technal, which markets a high-quality window system already popular in Europe. Unlike other extrusion plants in Dubai, Saudi Arabia and Kuwait, Balexco has no plans to go into fabrication, preferring to assist fabricators in raising their quality standards.

Balexco estimates its foreign exchange earnings at $3.4m, for 1978, with a projected $9m for 1979. It will start to repay its $4.9m loan from the Government this year.

Perhaps the most courageous venture is the wholly privately-owned Midal Cables, which went into production in July last year. Midal is a $4m partnership between Intersteel (51 per cent), a Bahraini company registered under the name of Mr. Hamad Zayani, and Olex Cables Limited of Australia.

Midal is taking on major manufacturers of a world commodity, in a fiercely competitive market. It is not getting any concessions. With so much money to be made on the spot metal market, the committed allocation to Midal from the smelter on its doorstep has been restricted to 6,000 tonnes for this year—not enough if the big orders come in, says the Australian general manager, Brian Pearson. But if metal prices tumble, no doubt Midal will be offered as much as it wants.

Right now, it must pay the going rate since it has no stockpile to draw on. But world prices for conductor cable have not fully reflected the rise in raw material costs.

The company has succeeded in negotiating more realistic shipping rates—it has talked down rates to Jeddah from $50 to $35 per tonne. But it pays port handling charges in Bahrain which can add $13 to each tonne of exported product. Regional customers still tend to think Midal can sell them cheap conductor.

The plant has had its teething troubles. While it is no money-spinner, it is not a commercial disaster. It is comfortably employed at present with orders from Saudi Arabia and India, and the potential is there for profitable development.

The natural market is Saudi Arabia, where extensive electrification schemes are creating a growing demand for aluminium conductor. The Saudi Government gave Midal its first half-million dollar order, and if the progress of integration means that Saudi Arabia comes to regard the Bahrain plant as part of its own industry, then the prospects are bright.

Steady expansion pays dividends

GULF AIR

JAMES BUXTON AND MARK MEREDITH

STATE-OWNED airlines are not usually a by-word for profitability, so imagine the problems of running an airline owned not by one but by four states. Yet Gulf Air, which is based in Bahrain but also owned by Qatar, the United Arab Emirates and Oman, says it became profitable last year.

That is quite an achievement in view of the hectic expansion the airline underwent since 1974 when it was constituted in its present form. The airline now feels that the successive problems that hampered its efficiency in the past four years have mainly been overcome and that the airline is now more mature and set on a solid, if less spectacular, growth pattern.

Gulf Air has grown against a background of dramatic economic transformation in the region, and has constantly been expanding its capacity to cope with the traffic. In April 1974 it started operating its first *long-haul* routes with its own four VC10 aircraft, bought from British Airways, which had previously owned a stake in the airline.

But thet VC10s had barely been absorbed before April 1, 1976, when Gulf Air started its much-vaunted TriStar services between the Gulf and London. By the end of 1977 the last VC10 had ben sold to the British Royal Air Force and the airline was also switching away from its BAC 111s (which had operated on the local routes) to Boeing 737s, increasing its capacity on the short-haul routes substantially, since the 737s carry 97 people against the BAC 111-400's 69. With greater freight capacity as well, the 737 fleet is considerably more economical.

Now the airline has six TriStars (two of them on dry lease from TWA) and seven Boeing 737s (one of them leased out) as well as four Fokker F27s and a variety of smaller aircraft. Gulf Air now believes it has an aircraft fleet best suited to its mix of long haul and short haul routes. The increase both in capacity and the traffic carried is shown by the fact that available tonne kilometres rose by 63.7 per cent from 1975 to 1976, while the tonnage of passengers, freight and mail rose by 69.6 per cent. ATKs rose by a further 34 per cent in 1977 and by 13.9 per cent in 1978, to reach 474.7m tons, while the weight load factor rose from 46 per cent in 1975 to 47 per cent in 1978.

Increased

The number of passengers carried increased by 38.7 per cent to 960,000 in 1976, and grew to 1.497m in 1978. The passenger load factor rose from 51 per cent in 1975 to 53 per cent in 1978.

Yet apart from the inevitable teething troubles associated with getting used to operating new kinds of aircraft, several other factors hindered Gulf Air's smooth expansion. The TriStar services to London, some of them via Amsterdam or Paris, were marketed heavily on the very high standard of service offered in the air—the Five Star service. It was augmented by a comfortable seat configuration that gave passengers more space than in almost any other TriStars flying. (Since May the number of first class seats has been reduced, allowing more tourist class passengers to be carried—but still with only eight seats to a row). But at the Gulf airports where flights began or ended, service on the ground rarely matched that in the skies.

Gulf airports became unbearably crowded and chaotic in 1975 and 1976 as they tried to cope with far higher levels of traffic than most of them were designed for. The ground handling operations, usually in the hands of companies with a monopoly at each airport, found it hard to manage and had little incentive to provide airlines with an efficient service. Gulf Air found itself having to supplement the ground handling agents whom it was obliged to employ with staff of its own in order to try to achieve a smooth flow of traffic. Only gradually has ground handling improved as Gulf airports have experienced less explosive growth and became more used to the high traffic levels.

European airports, especially London Heathrow, have caused their own share of problems mainly because of strikes and other forms of industrial action. Gulf Air's worst problems at Heathrow were with British Airways, with which it had a three year contract for heavy maintenance work on the TriStars. Because of industrial problems at the maintenance base at Heathrow, aircraft often set out from London several hours late and the delays were felt all over the system which then stretched as far as Bombay. Gulf Air built up a reputation for delay and unreliability which was not entirely its own fault.

Finally last August Gulf decided to end its contract with British Airways, and since April this year the TriStars have had their heavy maintenance carried out at Hong Kong by Hong Kong Aircraft Engineering Corporation (HAECO), which also services Cathay Pacific's TriStars. The Hong Kong operation fits in neatly with Gulf Air's services to Hong Kong, which began last December, and so far the airline is delighted with the fast and efficient service it is getting.

During its fastest period of expansion Gulf Air took on too many staff and became top heavy and inefficient in some respects. A report was commissioned from SAS, the Scandinavian airline which has in common with Gulf Air the fact that it is owned by more than one state. The SAS report found that the airline was 20 per cent overstaffed and Gulf Air chairman, Mr. Yusuf Shirawi, who is Bahrain's Minister of Development, announced last November that 700 people were to be made redundant over the coming 15 months, a figure that would bring the airline's staff down to 3,000. Mr. Shirawi said that the airline had lost more than $4m in 1977. "We have the traffic, but the training and expansion cost a lot of money," he said. The redundancies are spread over most categories of job.

Justified

Though Gulf Air claims that all its frequencies are justified by the traffic its management has to accommodate the requirements of its four owner states, so that operations are rarely as simple as they would be if the airline had only one main terminating destination. In addition to serving the main centres of the four member states—Bahrain, Doha, Abu Dhabi, Dubai and Muscat—the airline also operates a few services from the underutilised airports in the UAE of Ras al Khaimar and Sharjah.

Yet even though the airline seems to have settled down into a businesslike system, there can be hiccoughs. Last autumn, a few months after a new engineering centre had been opened in Bahrain for servicing the 737s, Mr. Shirawi said that Gulf Air's engineering division was to be moved to Abu Dhabi, as part of a plan involving Lockheed, Rolls-Royce and the Abu Dhabi Government. The plan was eventually dropped as costly and impracticable, but not before detailed studies had been made.

In fact Abu Dhabi, soon to open a splendid new airport, is the only shareholding state not to have an important division of Gulf Air based there. The airline's light aircraft division is based in Muscat and the helicopter division in Doha, Qatar. From time to time the Gulf resounds with rumours that one or other member state is about to start an airline of its own and opt out of Gulf Air but so far the airline remains solid.

Gulf Air's most important long haul route is the service from the Gulf to London on which there are now 14 services in each direction a week. During 1977 and 1978 Gulf Air carried more passengers on this route than British Airways, with which it has a pool arrangement for revenue sharing. British Airways has considerably more frequencies through the region, although its capacity is about the same because many of its flights are on their way to or from the Far East. This also means that British Airways' departures in the Gulf are often at unsocial hours in the middle of the night, whereas Gulf Air's departures are well timed because the flights commence there. There seems little doubt that Gulf's fine inflight service and the emphasis in its advertising on pretty, if partially veiled, girls, helps its sales.

The Europe-Gulf air fares are among the most expensive per mile in the world, a consequence of the reluctance of governments at either end to lower them and the fact that passengers are mostly people who can afford them (it is cheaper to fly to Australia from the UK than it is from the Gulf to Australia, even though many flights to Australia stop in the Gulf en route).

Apart from the routine services in the Gulf region itself—recently augmented by increased flights to Kuwait and Jeddah and new services to Baghdad—Gulf Air operates an "air bridge" between Bahrain and Dhahran which opened in its present form in May 1977. Operated half on behalf of Saudia, it has only recently had the capacity to cope with all the heavy traffic in and out of Saudi Arabia. Now there are 10 services in each direction a day, three of them operated by Boeing 737s and the rest by F27s.

While the air bridge has the highest load factors of all scheduled services, the TriStar operations have a load factor of 63 per cent, and the lower average for last year of 53 per cent is the result of lower average load factors on the 737 operations. Nevertheless, Gul[f] Air made its first profit las[t] year, though the size of it is no[t] disclosed. Revenue was $235m last year against $187m for the previous year and a projecte[d] $267m this year.

The airline plans for 19 per cent growth of passengers and freight this year and says i[t] was 7 per cent above its targe[t] up to April, helped by charte[r] operations evacuating peopl[e] from Iran. However, the fue[l] price increases may not be full[y] covered by the increased ai[r] fares recently announced b[y] IATA.

Among expansion plans, th[e] airline is seriously considerin[g] a route to Manila in th[e] Philippines via Bangkok. It i[s] also considering leasing an al[l]-cargo aircraft to increase it[s] freight traffic, whose contribu[-]tion to revenue has risen fro[m] 9 to 12 per cent.

The chairmanship of Gul[f] Air rotates among the fou[r] shareholding states. Senio[r] management is predominantl[y] Arab, though not Gulf national[s]. Gulf Air currently employ[s] people of 29 nationalities bu[t] two-thirds of the peopl[e] employed at the Bahrain bas[e] are Bahrainis, and there is [a] big training programme f[or] Gulf nationals. Although on[ly] a small percentage of aircre[w] are Gulf nationals, it is intende[d] that by 1980 all Boeing 7[37] flights should have Gu[lf] nationals as first officers.

Gateway to the Gulf

THE AIRPORT

MARK MEREDITH

BAHRAIN INTERNATIONAL Airport lies on the north-east shoulder of the country on Muharraq Island and is only a dusty 10-minute taxi ride across a causeway to the centre of the capital, Manama.

The airport has evolved from an old RAF base to become one of the main aviation centres for the Gulf, handling wide-bodied aircraft from 30 airlines. It is also the air traffic control centre for the southern side of the Gulf, supervising the overflights of intercontinental traffic from Europe and the Far East.

The development of the airport has grown in tune with the vast industrial expansion of the Gulf and today it is a clearing house for the movement of labour to projects in Bahrain and neighbouring countries.

This is reflected in the huge increase in passenger traffic over the past year: 2.3m in 1978, compared with 1.8m the previous year.

As jumbo jets rolled by on the taxiway close to the Directorate of Civil Aviation, Sheikh Isa bin Abdullah Al-Khalifa, the department's Under-secretary, explained: "The trend has changed from the first class businessman passenger, with a credit card, to the labourer."

Nearly 70 per cent of the air traffic from Asia and the Far East carries workers for projects in Bahrain and nearby Gulf states. Pakistanis and Indians for roadways and construction sites. Thais for work at the ports, or British, American and French for the banking community.

A chartered Airbus on an extended run from Seoul lands six times a week with Koreans destined for the development complex at Jubail on the Saudi east coast. Expatriate workers flown into Bahrain form about 35 per cent of the 110,000 labour force.

"Although there has been a certain recession in this part of the world, Bahrain has become a gateway to the Gulf and also to the Saudi peninsula," said Sheikh Isa.

Eased

New construction projects have tapered off and pressure to send vital material by air freight has eased although Gulf Air is doing well with cargo-loads of foodstuffs and other consumer non-durables. The airport's cargo figures remain largely static at 27,200 tonnes of cargo last year compared with 27,700 in 1977. The figures cover goods destined for Bahrain as well as transhipments and mail.

To meet Bahrain's development as a service centre for the other richer countries of the region and as an attraction for Gulf tourism, Sheikh Isa was confident of the need for airport expansion.

About $3.4m has been allocated for maintenance and development at the airport this year. Work is expected to start by the end of the year on an extension of the terminal building and there are long range plans for a second runway.

Gulf Air (along with nine other Arab airlines) plans to set up a $30m computer airline and reservation centre at the airport. The computer would have a capacity of 19m reservations a year and could be in operation in two and a half years.

The Bahraini Government plans to provide the building for the project although, due to the difficulty in co-ordination between the region's airlines, some aviation officials are sceptical about the project being launched on time.

The airport can handle six wide-bodied aircraft simultaneously: four docked at airbridges (allowing passengers to walk straight into the terminal) and two other aircraft unloading on to buses. A fifth airbridge is planned, although customs and immigration facilities will need to expand to avoid lengthy delays and congestion inside the terminal.

The emphasis for expansion of air traffic through the airport is not to bring in new carriers—"We want more routes from our regular customers," said an official.

British Airways (starting with its Concorde service), along with Qantas, are the key users along with Gulf Air which makes its home base at Bahrain. Gulf Air is jointly owned b[y] the Governments of Bahrai[n], Qatar, the United Ara[b] Emirates and Oman. Other lin[es] using the airport inclu[de] Cathay Pacific, Saudia and UTA.

Pan American, according t[o] airport officials, is planning t[o] move its regional headquarte[rs] to Bahrain from Tehran as we[ll] as use the airport as a stopov[er] for their global routes. In Apr[il] British Airways started a ne[w] intercontinental run throug[h] Bahrain from London v[ia] Zurich to the Seychelles.

Sheikh Isa also believes the[re] will be a gradual expansion [of] Bahrain Airport services whi[ch] holds the franchise to hand[le] ground maintenance and se[r]vices for the airlines. Qant[as] is known to be pleased with th[e] airport facilities reporting on[ly] two delays in 250 flights.

The airport is also the hea[d]quarters for Flight Informatio[n] Radio which supervises a[ir] traffic for the lower Gulf Regio[n]. The service is run under co[n]tract by a British compan[y] International Aeradio.

The revolution in Iran place[d] an extra burden on air traff[ic] control earlier this year whe[n] Bahrain was required to tak[e] over supervision of overflig[hts] on the northern side of the Gu[lf] from Tehran.

Landing fees average abo[ut] $1,066 per landing. These fee[s] along with overflight charge[s] are not considered by the Civ[il] Aviation Authority as adequa[te] to cover all costs. Revenue th[is] year is estimated at $14.5m, [a] modest $2m rise from the pr[e]vious year.

The airport authorities appe[ar] to show little interest in develo[p]ing the airport for use b[y] private aircraft, concentratin[g] rather on wide-bodied aircraf[t]

Exhibitions to the rescue

STEEL skeleton of what be the Diplomat Hotel gaunt, but not lonely, st the skyline of Manama, ain's capital. All round it ings rise up and are com-d; tower cranes and con-tion workers labour away tivity that emphasises the ess of the Diplomat site. work should soon recom-e on the new hotel as the legal quibbles over its fund-raising are sorted

ny morals can be drawn the saga of the start, re-refinancing, and re-restart is hotel. The two most us are that construction in the Gulf are still rising than professional advi-estimated and that hotel rship is no longer a licence nt money.

Holiday Inn, and the-ton, as well as the Diplo-have had to raise loans gh the international mar-

Bahrain Gulf Hotel's annual report shows that w tower, which should be eted by early next year, ost BD 2m ($5m) more originally estimated. To inance this increased cost otel company had to pass vidend for 1978. (Divi-are almost sacrosanct to int shareholders, who shares according to in-rather than capital appre-1.)

unately for the Gulf and the other hotels open island, 1978 was not such year as initially predicted. vas almost solely due to tivities of the Bahrain ex-ns company, Arabian Ex-ns Management (AEM), started its exhibitions mme with two relatively events, Soltech '78—the technology show—and uild '78 which attracted 7,000 visitors.

Gulf Hotel still managed e an enviable occupancy f 89.5 per cent during The other established also claimed high ncy rates and the newest, liday Inn, opened in time commodate delegates to minar that accompanied uild '78.

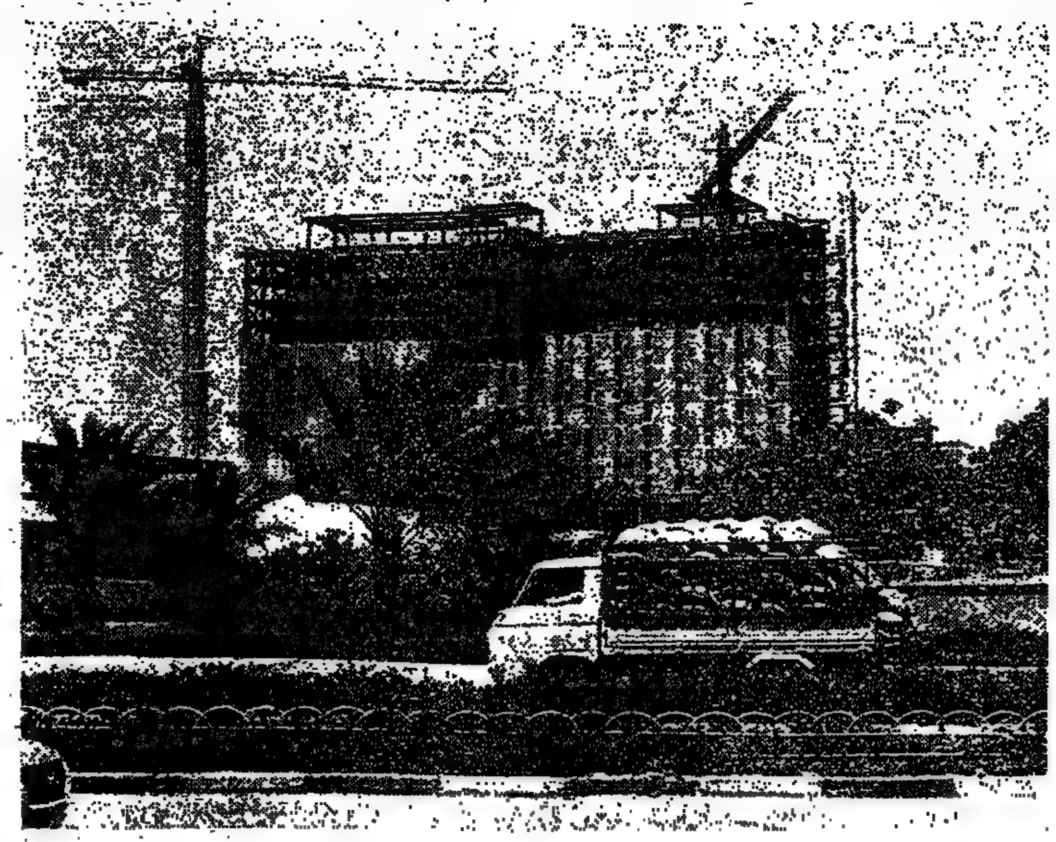
teful

ain hoteliers, too, are rateful to the 27 or so s calling regularly at-n — the airport has the crossroads of the – and depositing their for night stops.

s not only that the crews rooms but they give life international atmosphere otel which is particularly in lean times," comments tel manager.

ever, it was only during rly months of this year oteliers ceased looking ith regrets at the boom 1976-77 when occupancy were well over a 100 per id Bahrain residents had k tables for lunch. The g of new hotels made start marketing for the

800 of the 1,700-plus bedrooms of Western standard now available in Bahrain are in first class hotels of international standard of which four are now open. The Gulf hotel is the only one not affiliated to any international marketing chain which gives the other three, the Hilton, the Holiday Inn and the Ramada, an undoubted advantage.



The new Sheraton Hotel complex in Manama under construction by Taylor Woodrow

HOTELS

DOINA THOMAS

But in the course of next year, when the Gulf will have to start selling its 240 new rooms, there will be additional competition from the Sheraton and the French-run Regency Hotel.

The three new hotels between them will add almost a further 1,000 beds to Bahrain's capacity. While wishing further success to AEM in 1980, Bahrain's hoteliers are also fervently hoping the Bahrain - Saudi Arabia causeway contract will be let early in 1980 to take up the new rooms.

There is little that the hotel trade can do to increase the number of visitors to Bahrain: numbers have declined severely as the Gulf states went into recession at the beginning of last year.

To counter the international marketing systems of the Hilton, Holiday Inn, Ramada and Sheraton, the Gulf Hotel may turn to Gulf Air, which has a 45 per cent stake in its parent company, the Bahrain Hotels Company. Gulf Air, the regional carrier, now has offices in almost all the important cities of Europe as well as New York and the Far East.

Fortunately for Bahrain's hotel owners, AEM already has four exhibitions being marketed for 1980, two relatively small specialist shows and two more general ones.

Next year will be the first time that AEM repeats an exhibition—Arab-Build and Soltech are to be rolled into one show —which will be a test of its judgment and marketing skills. Not all Arab-Build's 7,000 visitors last year stayed in hotels, though the figure did not include exhibitors' staff who tend to stay roughly a week.

However, business visitors are not the only potential customers for Bahrain-based hotels. A couple of the bigger hotels have started selling "weekend" packages to residents of Saudi Arabia's Eastern province and other neighbouring states. There is some potential in this limited form of tourism, particularly as Bahrain has more visible history and is a more attractive place than many of its neighbours, especially Saudi Arabia. The marketing is discreetly done as no one in Bahrain wishes to turn the island into an Arabian version of Blackpool.

A second potential source of guests are businessmen resident in the Gulf who could be attracted to conferences and seminars held in Bahrain.

"But these will have to be genuinely regional and rather narrowly defined, not just any subject with Middle East tacked on in front," observes a hotel manager.

A further source of business is the resident population of Bahrain which, until the downturn in business of 1978, was relatively free spending. The hotels compete to organise shows, speciality evenings and other forms of entertainment which all seem to prove very popular.

Last year the Ramada stole a march on the others by organising outdoor film evenings followed by a barbecue. These have proved enduringly popular, attracting over a hundred guests on two or three nights a week. This year the Hilton is countering with a small theatre show.

But competition for the residents' business is increasing daily — the number and quality of restaurants in Bahrain has increased over the past year. There is now a wide variety of professional and semi-professional restaurants, discotheques and virtual night-clubs in Manama.

Not all are successful: some die and reappear in other guises and some have problems with getting the appropriate licence. (A place of entertainment near a mosque is unlikely to get a liquor permit, for example.)

Hygiene

There has also been a drive by Manama municipality to raise hygiene standards of the restaurants and take-away cookshops of the capital. The island's various special-interest clubs — sports clubs, professional clubs — are venturing more into simple catering.

That Bahrain takes its hotel industry seriously is shown by the fact that a hotel and catering college opened in 1976 with United Nations Development Programme guidance. The college was rapidly upgraded to become a regional centre and Saudis and Omanis were numbered among its first students as well as Bahrainis.

The college is recognised as a City and Guilds standard examination centre and its two year course offers a diploma in hotel operations.

The course covers all aspects of hotel work, housekeping, catering, reception and front office work as well as restaurant service. Its first graduates went to work in the summer of last year. (The Gulf Hotel says that over 50 per cent of its personnel are now Bahraini.)

Now that the extraordinary boom is over, the day-to-day problems of the hotel industry in Bahrain are very similar to those of hotel business in the rest of the world, except that the major cost factors (after construction) are those of imported food and imported labour.

Wages are comparable to European levels but payroll costs such as accommodation and airfares home are higher.

Almost all the food consumed in Bahrain is imported—though local vegetable production is increasing — and has consequently to bear transportation costs from New Zealand, Australia or Cyprus.

But for the hotel industry, as for other businesses and private individuals in Bahrain, there is the bonus of no taxation. This is fortunate for hotel users, too. The cost of hotel rooms in Bahrain is already high—at least $80 a night before service charges or breakfast in the top hotels. But if the usual hoteliers rule of thumb were to be applied—that the price of a room will be one unit for every thousand units invested—without taking into account the absence of taxation, charges would be astronomical.

A rough calculation suggests a price of $160 a night for a hotel presently under construction—which would severely dent Bahrain's virtue as a service centre.

A key factor in finance growth

SCENE is the dealing of Sarabex, one of the noney brokers serving n's extensive banking inity.

enviable luxury, eight s sit at a round table with equipment. It is y and business is at its ectic. One dealer is on ie to Singapore, another lon and a third to Riyadh. ily female dealer, a girl Singapore in white jeans e-shirt, seems to run on oses of adrenlin and copes with three telephone calls e.

ront of each dealer is a rd giving them direct one access to 40 private leading to commercial or offshore banking units iama.

Reuter monitor screens them display forward ind there are three key-allowing three simul-s interrogations of the

nst the wall is a battery in Telex machines, three m with leased circuits iently linked to Singa-ondon and Dubai.

i international telecom-itions has helped draw the al community to Bahrain s been a key factor in the of offshore banking. access to telephone and communications and, in-gly, to computer data have also been vital to n's plans to expand its industries.

TELECOMMUNICATIONS

MARK MEREDITH

Cable and Wireless operate the Gulf State's communications with a 100 per cent franchise agreed with the Amir. The British Government-owned corporation runs the domestic telephone system, international Telex and telephones, a tropospheric scatter system of communications with other Gulf states, a satellite station and extensive microwave ties with Saudi Arabia.

C and W have a $425m expansion plan over the next five years covering the installation of more telephones (12 new lines a month) and the operation of a second satellite station which is due to bring in an additional 1,300 voice grade circuit capacity.

The first satellite station has been fixed on the Indian Ocean satellite handling calls to Europe and some transit traffic for the United States.

The new satellite station will have its dish apparently aimed directly at the horizon to fix onto the Atlantic satellite and opening an extensive new communications link with the United States. Calls to the U.S. are routed through Europe.

The tropospheric scatter system bounces a powerful signal off the ionosphere and is used for short range telecommunications within the Gulf. But over the past year the system's capacity has been nearly saturated and a backup is needed.

Cable and Wireless would like to see an early agreement among Gulf governments for the installation of a submarine cable between Bahrain, Qatar and the Emirates and possibly bringing in Kuwait, at a later date.

Revenue from telephone use alone has gone up from a monthly average of around $934,000 in 1977 to $1.4m in 1978. Telex revenue from $734,000 in 1977 to $853.4 a month in 1978. Back in the Sarabex dealing room the office staff will be handling a telephone and Telex bill of possibly $21,300 a month.

Scene two is in the front seat of a battleship-like, air-conditioned American car gliding through the streets of Manama. The owner is anxious to impress on your correspondent the advantages of having a mobile telephone. Your correspondent forgets the cost of the apparatus after being shown how it is possible to dial directly from a car in Bahrain to the British Post Office's London Weather Service and hear a rather bored voice tell of the danger of clouds later in the day moving in the from the Channel.

A wide range of priorities

QUALITY OF LIFE

MARK MEREDITH

THE LOOK is deceptive and it is going to become more so. Bahrain is a developing country despite the impressive exterior of its service industries, its plush banks, and its comfortably housed expatriate community.

As polished marble goes up on a new hotel, an Arab family in a small pickup truck calls at the Middle East block factory to take away a load of blocks to start building their own house in the small communities clustered around the fresh water springs which give Bahrain its unexpected and welcome patches of green.

Battles for literacy, improved low income housing and social services go on alongside projects to expand the telecommunications network and to introduce new specialised technology.

The road south on the eastern side of the island towards the oil fields is dotted with small well-head pumps, some with their long booms painted to resemble grasshoppers or giraffes. But the oil they pump out is running out by about 5 per cent a year and Bahrain is having to rely on its wits about the future.

Centuries as traders and an early start to education—the first school was in operation by 1919—have given Bahrainis a good start in adaptability.

Bahrain is diversifying its interests to try to become the centre in the Gulf for services stretching from finance and *communications* to travel and fuel-related industries. Its venture into banking has been spurred by the demise of Beirut as a financial centre. Facing some rivalry from Dubai, Bahrain is quickly developing its telecommunications to offer international banking a good link between East and West in an Arab atmosphere.

The ruling family under the Amir, Sheikh Isa bin Sulman Al Khalifa, appears ready to accept some of the disadvantages in preparing for this diversity: namely, the great dependence on expatriate labour—now forming 35 per cent of the workforce and likely to increase with further industrial specialisation.

Although this figure is the lowest in the Gulf, expatriates occupy jobs from the lowest unskilled labourer to top manager. The process of Bahrainisation will take a long time as new services requiring new skills are introduced.

Nevertheless, Bahrain has a tradition of running its own affairs. The civil service is almost totally Bahraini and ranks in efficiency with any British provincial administration. Key Bahraini industries such as Aluminium Bahrain (ALBA) and Bahrain Petroleum (Bapco) are largely run by Bahraini workers and junior managers.

The Government has put considerable weight on companies including foreign organisations to accelerate their training programmes. The Minister of Labour recently introduced a training levy for firms without their own training schemes. The levy extracts 4 per cent of the composite wages of expatriate workers and 2 per cent of the Bahraini salaries for a contribution towards training.

The decision was partly aimed at correcting abuses in the construction industry inside Bahrain where in some cases no effort was made at training workers taken on only for short term contracts.

The Bahraini family is conscious of the need for training and the man building his house of the blocks from Middle East block factory probably has a daughter who trained at Gulf Technical college and is now working as a secretary in a bank, a son studying electronics at the Cable and Wireless training centre and perhaps others of his four children (the average family is six) at school.

About 65,000 children attend school and soon education will be compulsory up to the age of 16. Some 3,000 students go abroad to study, about 200 of them with Government bursaries. The well-established Gulf Technical College could possibly join in a University of the Gulf, with the College of Arts and Sciences that already exists.

Pampered

One priority will be the creation of a medical faculty to bring more Bahrainis into this profession. About 65 per cent of the island's doctors are expatriates.

Nursing is popular among Bahraini girls. A college of Health Science is already contributing to the nursing and health education fields.

Health clinic and hospital care is free, although recently a new private hospital was built absorbing medical staff who could have been used in the public sector.

"Some people are ready to pay to be pampered," commented one senior Government official. Bahrain's new central hospital was recently opened and semi-private care is available for those willing to pay.

Despite the do-it-yourself bent in housing, the achievements in housing are extensive over 5,000 houses were built in the three years since 1976 and a second three year plan is now beginning.

The "blitzkrieg" approach by the Ministry of Housing in its first three-year programme virtually eliminated the worst housing problems—such as those of the "barasti" dwellers, people who lived in houses made of palm leaves and packing cases. The housing shortage was caused by two factors, the steadily increasing population of Bahrain and the growing desire by newly marrieds to live on their own, rather than with in-laws. The increasing number of women in the labour force makes this economically feasible.

Government-provided housing is heavily subsidised. Rents are based on the need to recover construction costs over 20-25 years and influenced by the ministry's desire to keep them at under a third of the occupant's income. Those with sufficiently high incomes to finance the construction of houses can receive assistance with the purchase of land. A new housing bank is due to start functioning this autumn.

Women represent about 12 per cent of the workforce and a few have reached senior positions in both the private and Government sectors. But traditional restraints still prevail and, in the view of one highly placed female, "there is equality only on paper."

Public values and attitudes have been influenced by this year's revolution in Iran and the increasing contacts with Bahrain's vast and more conservative neighbour, Saudi Arabia. These influences have tended to make more delicate Bahrain's more tolerant approach to the sale of alcohol and the expansion of its leisure industries.

Like oil, Bahrain's water is also running low. Water is drawn from three giant aquafers which stretch like vast coal seams from the Saudi Peninsula under Bahrain. Extensive drilling by both countries has reduced the pressure within the aquafer and sea water has started to seep in. To reduce the dependence on the aquafers, spring water is now mixed with water produced at two desalinating units for domestic consumption. Some hotels have their own filter systems to make the water more palatable.


A shopping street in the centre of Manama

Sewage treatment plants are planned over the next few years and one priority is to use purified water for agricultural purposes.

Another service—power—is under heavy pressure from the thousands of air conditioners. A consumption graph marked in red on the wall of the Electricity Board records heavy peaks during the summer months during the late morning and evening as the air conditioners strain against the elements. But taken on a year-long basis, the capacity of the four power stations (an additional turbine is about to bring total capacity up to 450 MW) is only 40 per cent utilised.

The Government is now urging builders to concentrate more on insulation against the sun. Some of the old Arab houses in the capital have walls three feet thick and roofs of woven fibre which remain much cooler than modern structures. More efficient air conditioning systems are also being urged on consumers.

When the 25 km causeway linking Saudi Arabia to Bahrain is complete, new forces will come to bear on the island. Traffic between the two countries is expected to escalate; the wealth of Saudi Arabia may seem more accessible to trained Bahrainis but the glitter and relaxation of Bahrain will attract the Saudis.

The hotel industry is counting on the causeway making Bahrain a popular weekend resort for well-to-do Saudis, but there is also some apprehension as to the social side effects of making the island a recreation spot for Arabs from less permissive states. Besides filling discos and hotels, the causeway merchants on the island are counting on the causeway creating a boom in retail sales.

Important labour force

EXPATRIATES

MARK MEREDITH

EXPATRIATES ARE present in far smaller numbers in Bahrain than in the other Gulf Emirates, where they mostly outnumber the indigenous population, but they are an important element in the State, nonetheless.

The two main sources of expatriate labour are Western Europe and the Indian sub-continent and people from both are attracted by the greater earning opportunities in the Emirate.

For the Westerner, those earning opportunities give him a real income far better than his counterparts back home. Those who stay any length of time—the average stay is two to three years—often find it difficult to accustom themselves to the living standards and spending patterns of Europe where taxation is heavy and servants are expensive.

It has been estimated that expatriates now form about 35 per cent of the labour force in Bahrain with wages ranging from as little as $100 a month for a Pakistani labourer to around $3,000 a month for an American banker.

The spending power of the Western expatriate has added to the demand for cheap expatriate labour from Asia. Numerous Thai and Korean workers are also to be seen in the island.

Bahrainis do not appear to resent the presence of foreigners and many of the more educated and travelled Bahrainis have adopted some Western living standards and habits. But naturally when there is a public outcry over such things as the scarcity of cheap housing, rents or servants wages—foreigners are given a *large share of the blame*. And Bahraini graduates, like their counterparts worldwide, usually fail to understand why an expatriate with ten years' experience is doing the job for which they have just qualified.

In the past three years, there has been a dramatic improvement in the standard of living for Westerners. The quality of houses is much better the range and regularity of supply of consumer goods and food is also considerably improved.

The major car agents have made a conscious effort to improve their services to buyers and the island's hotel and catering industry is going flat out to attract largely Western custom. Western ideas on retail competition and marketing are beginning to take root in Bahrain.

Schooling

The major problem for Europeans and Americans is still the schooling for their children. The employees of the oil company, Bahrain Petroleum, have their own primary school at Awali, the oil town. But the others have to send their children to one of the relatively small number of commercial primary schools, demand for primary school places still outstrips supply and the problem is exacerbated by the increasing number of educated Bahrainis sending their children to the English language schools. (The Bahrainis see the expatriates taking *their* places).

At secondary level the shortage of adequate education facilities and places is acute and the prospect of costly boarding school in the home country has to be squarely faced.

Schooling is not cheap. However, as Western expatriates have few other demands on their income—there are no taxes, house rent is usually company paid as is at least one trip home—the dent is not proportionately very great. Many employers in the island help with school fees for teenage children at boarding schools in the home country. The schools are supervised by the Ministry of Education which keeps an eye on standards and on compatability with Islamic principles (no teaching material that could be considered offensive to Arabs or Islam can be used).

There are also schools for the other main categories of expatriates, the Indians and Pakistanis. A new school for Indians is under construction with money raised by donations from private individuals, some state assistance, and charity events.

The curricula of these schools fits in with those of the education systems in Pakistan and India so that children can be moved between the two. On the whole, however, the Indian or Pakistani of clerical and *managerial class tends to stay* longer in Bahrain than his Western equivalent.

For all communities free health care is available, though most Westerners go privately. The private and State health systems are closely integrated, doctors working mornings for the government are encouraged to run private clinics in the afternoons charging government regulated fees.

Pay beds are available at the Sulmaniya hospital, whose facilities have been greatly improved in the new building. There is also an American mission hospital and a new all-private hospital.

Indians and Pakistanis (and Westerners as well) wishing to work in Bahrain are subject to health checks before residence visas are granted as many arrive with latent diseases, particularly malaria. But these are now largely problems of the past and they affected mostly the labourers who lived in insanitary conditions in Bahrain which exacerbated any health problems they might have.

Active lobbying of all Arab Governments by the Indian and Pakistani authorities has somewhat improved the lot of their lower paid, in terms of wages and accommodation.

The Pakistani authorities, for example, insist on a standard form of contract between employer and Pakistani employee specifying a minimum wage, term of employment, accommodation found and other related conditions.

It is almost as difficult for a Pakistani with no particular skills to leave Pakistan as it is for him to enter a Gulf state. Arab labour importers were not the only exploiters of the under-privileged—both Pakistani and Indian Governments have cracked down on fraudulent labour bureaux in their own countries. And yet nationals of both countries are prepared to pay as much as $1,000 for the papers to get them into Bahrain.

Once in, they have to take two or three jobs at once in order to be able to remit money and pay off the agent who brought them in. Many a Western expatriate who employs a part-time houseboy will find that his "boy" works at about four different houses each day.

Both Western and Asian expatriates have ample opportunities for a wide variety of leisure pursuits ranging from the largely Indian and Pakistani films at the main cinemas to golf and sailing clubs.

The sporting activities have been mostly organised by the expatriates for themselves—the Bahrainis, like the other Gulf Arabs, are crazy about football, support numerous teams both in the region and in Britain, and participate in as many Gulf leagues as can be invented.

There are two golf clubs and two sailing clubs in Bahrain, as well as a rugby club and various nationality or profession clubs such as the British club, Bankers club, Gulf Air club and the Bapco club in Awali. Waiting lists for membership at Bapco and the British club (both open to all nationalities) is long.

Bootlegger

The fundamental difference between Bahrain and its immediate Gulf neighbours in terms of leisure is the discreet but legal presence of alcohol. Buying beer or Scotch in Bahrain is as simple as buying it in Britain—you go to an off-licence. In some of the other Gulf states you either have to know a friendly bootlegger or make your own, while in the more tolerant you can acquire the appropriate import or purchase licence.

The resurgence of the public observance of Islamic principles combined with the influx of expatriates has led to some tightening up of alcohol sales in Bahrain. Hotels and restaurants (not all of which are licensed) keep British pub hours as do the off-licences which have been discreetly banished from the centre of *Manama to the suburbs*. Fines for being drunk in charge of a motor vehicle are heavy—$1,300 plus seven days in jail—and penalties are likely to increase.

Sales of wines and spirits are reliably estimated to be worth $15m a year, or roughly $50 a head—though the figures are not officially recorded. However, considerable allowance has to be made for the leakage factor—also known as unrecorded re-exports or smuggling—to other states in the Gulf. To those who have never visited the Gulf it may seem trivial to judge the quality of life by the availability of alcohol.

But it is a good indicator of Bahrain's tolerant attitude to the expatriate that he should not be asked to modify his life-style too much when coming to Bahrain. Bahrainis themselves do not noticeably abuse the availability of liquor (the same cannot be said for all Westerners) with a few exceptions for teenagers.

As Bahrain *has* decided that its future depends on being an efficient service centre for the Gulf, a point of exchange between the West and Arabia, this tolerance is vital.

THE ARTS

toria and Albert

The Garden

by ANTONY THORNCROFT

e Victoria and Albert um stands on the site of Brompton Gardens which, the late 17th century, was first great horticultural ry to service the gardens ngland. It's current direc- Dr. Roy Strong, is a great of gardens and a keen re- her into their history. So quite appropriate that the ria and Albert's main exhi- n this year should celebrate Garden.

course it is just the Eng- garden, with the Scottish ed a few tucked away re metres, but the English n through the ages has ued such an abundance of oots that the space that Museum can spare it creaks e seams. This is very much a historical survey and anyone expecting a concentrated Kew or a walled-in Wisley will be disappointed. It is likely to fascinate the open minded non-gardener rather than the mud-on-the-boots man for it tells a fascinating story and one that has been ignored for much too long. We know a great deal of the history of our national architecture, and very little about the gardens and the landscape which set off the palaces and the manor houses. This exhibition makes good the gaps in knowledge with a vengeance.

It is the factual side of gardening—the innovations, the imports, the trends, the philosophy, the heroes — and the villians. Seldom can such a scientific survey have come up with such a pronounced renegade, by name Capability Brown, the man most people have associated with the history of the English garden. His passion for landscaping in the early 18th century destroyed the traditional English garden of the Tudors and Stuarts (even if the tradition owed a great deal to French and Italian ideas) and left wide wastes of tedium. No wonder he is Dr. Strong's *bête noire* and gets just a scathing aside. Instead, the formal gardens of the 16th and 17th centuries are here revealed once again in artistic splendour through a succession of magnificent paintings, often by Dutch artists or anonymous ones, firmly linking the gardens and the grounds with the great house. This integration is apparent as early as 1547 in the impressive portrait of Henry VIII, plus his children and his favourite wife, Jane, with the French-inspired gardens of Hampton Court visible in the background, embellished with an English innovation—heraldic beasts set upon poles to enhance the royal splendour.

The large geometric bird's-eye view paintings are the glory of the exhibition. The best come from Paul Mellon's collection in the U.S. and combine intriguing historical and social detail with a firm overall vision. The best, Wollaston Hall, by Jan Siberechts, even manages some arcadian mountains in the background. The later paintings tend to concentrate on pretty 19th-century cottage garden scenes by lady artists like Helen Allingham, quite delightful but flat. The only other notable pictures are an Atkinson Grimshaw of his wife "In the Pleasance," and some robust works by Stanley Spencer.

The exhibition is laid out rather like an undemanding maze, with the green carpets nicely lined, like a well mown lawn. The educational intent is there from the start with a narrow passage devoted to gardening tools opening up into a display of captivating historical books. Once you accept that you are not going to meet shrubs and flowers you can relax and enjoy a profusion of detail and an intriguing story. But the senses are satisfied along with the intellect. As you make your way through the centuries you catch the gurgle of running water, from a fountain, and hear the sad precise notes of a harpsichord accompanying slides of vanished gardens. There are four more audio-visual presentations — including one on cottage gardens with bird song support —and seats to support the fatigued.

"In the Pleasance" by Atkinson Grimshaw

This is an important exhibition, providing scholarship where it has been lacking, but also plenty of charm. Gardens are to be enjoyed and although the freedom and the freshness of the outdoors are missing there is beauty in the pictures and illustrations, and stimulation in the unfolding story. And soon the V and A hopes to be able to offer strawberries and cream in a pavilion constructed in its courtyard. Already an aviary is in song, for although the heart of The Garden is the formal history, room has been found for cottage gardens, herb gardens, botanic gardens, municipal parks, vegetables, the whole vast store-house of nature which the English have always so successfully captured inside garden walls.

The Garden is open until August 26.

Frederica von Stade and Patricia Parker

Glyndebourne

Il ritorno d'Ulisse

by MAX LOPPERT

The famous Glyndebourne production of Monteverdi's *Il ritorno d'Ulisse in patria*, first given in 1972 and revived the following festival but not thereafter, returns this year in splendour. Raymond Leppard is once again the conductor of the London Philharmonic; Peter Hall's original production now falls to the care of Patrick Libby; Richard Stilwell is again Ulysses, as he was in 1973; in the role of Penelope, a successor worthy of Janet Baker has been found in Frederica von Stade. Though the Monteverdian who has heard the opera in the purer, simpler manner of realisation that followed in the wake of (and in reaction to) Raymond Leppard's version must inevitably find things to criticise, Sunday's performance left as a whole an indelible impression: the kind of performance that one imagines will stay golden and lustrous in the memory for years to come.

This great opera seems the greater with each hearing. Recent encounters with the work in this country have taught us widely differing aspects of it. The Zurich visitors to Edinburgh last year showed—as it were by default—that by Monteverdi and his librettist Badoaro the depiction of emotional deprivations, flowerings, and fulfilments was sufficiently powerfully made to withstand even the monstrous vulgarity of Jean-Pierre Ponnelle's production. Kent Opera has performed Roger Norrington's edition of the opera—the most faithful in style, and in performance demonstrating that the simple, sparse sound of authentic Monteverdi need not entail austerity or dullness.

Glyndebourne's account is the most beautifully sung, the most sensitively staged, the most eloquently acted of these. It displays to the full the grandeur of the musical and dramatic design. The almost uniform confidence and clarity of the singing guide the ear into noticing how cunningly the scenes are laid out in terms of vocal disposition. In scenes for male voices, for female voices, for voices in contrast and in chorus, in scenes that begin as solo declamation and proceed to draw in contrasting vocal sounds and colours—in these and related matters Monteverdi's mastery stood newly apparent on Sunday evening. Mr. Leppart may have reduced the number of scenes, transposed vocal lines, and added to the total amount of chorus activity; he has not tampered intrinsically with the unfolding of the grand design.

Though *Ulisse* is many things, it is at its centre a profoundly moving emotional drama, a slow, patiently charted voyage towards reconciliation. Scenes of meeting by people long separated form, indeed, the periodic clinching points towards which the lines of drama tend. The final duet between husband and wife, and the smaller though no less loving duet between father and son earlier on, are the most important of these points. But at Glyndebourne other recognitions and reconciliations — between Minerva and Ulysses, Telemachus and the shepherd Eumaeus, Telemachus and Penelope, even in the final summit conference of the gods —stir our emotions, not only because the music means them to be so stirred, but because the cast has been schooled to draw from these scenes their fullest emotional impact.

The stage is ever a study in tenderly unforced, noble demeanour. Frederica von Stade's final slow unbending—the moment at which she first moves her hands after what seems eons of willed stillness, the point at which she first dares to permit herself to smile—I had to follow through a mist of tears. Not because singer (or, of course, composer) was nudging, Puccini-like, at the emotions; precisely because she (and he) were not. At first, Miss von Stade's Penelope seems perhaps even too restrained: the distanced effect of her first monologue was increased by Italian words a trifle indistinctly uttered. Soon, the exquisite purity of her performance — pure in vocal and dramatic line, in intention and statement — revealed the greatness of the role.

Mr. Stilwell, after a slightly clouded start, proves her true partner—nobly handsome, unexaggerated whether in disguise or *in propria persona*, fine-grained of tone and line. Newcomers to the opera at Glyndebourne include Ann Murray's bright Minerva, another admirably sure portrayal by this valuable young singer; a very touching Telemachus in Patrick Power from New Zealand; and the fresh, musicianly voices of Diana Montague and Lynda Russell in the Prologue and Keith Lewis and Claire Powell as Jupiter and Juno. A touch of Italianate warmth is added by Max-René Cosotti's Eurymachus and Nucci Condò's old nurse (though Italian enunciation is for the most part well studied throughout the cast, these native Italians remind us what is missing).

From the first cast, the suitors (Ugo Trama, John Fryatt, Bernard Dickerson) return, each a nicely rounded, individual performance. Richard Lewis as the old shepherd is in wonderfully wise, kindly form. Irus, the potential danger spot of any *Ulisse*, is less a "cavaliere panciuto" in Alexander Oliver's keen playing of him than a Shakespearean court eccentric. The designs of John Bury have been fully praised on this page before. An "unforeseeable mechanical accident" shortly before the commencement of rehearsals has diminished the ambit of the aerial encounters; a newcomer to the production has nothing to complain of in the elegant slow descents of the flying machines. Apart from suggestions of uncertainty in the early stages of the evening, Robert Bryan's lighting explains what is meant by the phrase "Glyndebourne standard."

I don't propose to repeat in detail familiar charges against Mr. Leppard's edition. I regret its omissions (while there is evidently more music in the Glyndebourne *Ulisse* than before, a delightful little scene such as the second between Penelope's handmaiden Melantho and Eurymachus is still an unhappy deprivation). I dislike its plump string textures (the LPO played them meltingly), its tricksy changes of continuo, and the conductor's hushed way with emotionally charged sentences and paragraphs. I reproach Mr. Leppard for putting Penelope's line up an octave at climactic moments; anyone who has heard Sarah Walker's Penelope for Kent Opera will know how expressive and dramatically apt the original, low-lying line can be made to sound. And above all this, I recognise that the strength of Glyndebourne's *Ulisse*, and its success as a radiant, impassioned evening of music drama, still find their inspiration in his unique qualities of commitment to 17th century opera.

Clark Terry Band in Birmingham and London

The Clark Terry Big Band will be appearing at Birmingham and London in June. The band will be at Birmingham Town Hall on Saturday June 16 (8 p.m.) and at the Queen Elizabeth Hall on the following Monday at 7.45 p.m.

ls Town Hall

BBC Symphony Orchestra

by RONALD CRICHTON

Leeds Festival closed at ekend with two big full- l concerts of the tradi- kind still justifiable ed they are good. These very good. The BBC ony Orchestra was heard ccessive evenings under onductors (Rozhdestven- n Friday, Mackerras on ay) to whom it responds will. Liszt, the festival er, was represented on by the A major Piano to, on the next evening *amnation of Faust* of balanced the *Faust* ony played at the open- ncert a week earlier.

Damnation was highly d and highly coloured. arles Mackerras knows ngers of the Town Hall as most conductors. He sks and usually won. A ing amount of the pro- imaginative detail with Berlioz shaded his score w came through the fog—not only points ly made like the hellish in the Ride to the Abyss icate ones like the spirit- (which included an un- well-judged Minuet). ature that worked less an one expected was the lous use of bugle calls atches of distant song soldiers or students— were too actual, too near. the whole, in spite of edges softened and ies piling up, the ex- e was a good deal richer earing this work in the refrigerator on South

Festival choir, augmented men of the Leeds Philharmonic Chorus, mustered some 150 throats. There was a degree of segregation unusual in these days—ladies and gentlemen separated by a wide chasm of percussion. Ensemble apparently presented no problem, but one was aware that the keen sound of the women's voices suited the music (and the French language) better than that of the men, keen in the other sense but sometimes strained. In general, though diehards who still believe that such occasions should consist of an avalanche of choral tone enlivened by an occasional whistle or thwack from the orchestra may not agree, balance was about right.

Among the soloists was a Dutch baritone who happens to be an admirable French stylist. Bernard Kruysen, who for some reason we are not allowed to hear in the song recitals at which he excels, has a voice on the light side for Mephistopheles but the use he made of it in diction and phrasing was exemplary. The Marguerite of Isobel Buchanan was the opposite—an organ of radiant promise without as yet a sense of style to match. Few young singers command the right simplicity for the King of Thule Ballad, but there was beautiful singing in the Romance, and here Miss Buchanan wisely did not imitate the over-expressive phrasing of the cor anglais. The Faust was Peyo Garazzi, producing some ringing phrases and some stodgy, ineloquent ones. The part needs a quality of thoughtfulness rarely given to tenors who can match the physical demands.

The Liszt Concerto on Friday was played by Victoria Postnikova with the warm, fluent sensitivity that also embraces the extrovert side of the music and triumphed over a suspicion of bad tuning (heat in the hall playing havoc, perhaps). In *Brigg Fair* Gennady Rozhdestvensky easily found the key to the supposedly esoteric mysteries of Delius. Rozhdestvensky's Chaikovsky Fourth, as one would expect, was brilliant. A great amount of detail was exhibited in unwontedly polished condition, some of it in unusual relation to other detail. With immense skill this insistence on polish was never allowed to interfere with rhythmic flow, even in the finale. Though the legitimately theatrical side of the music was stressed at the expense of the dramatic aspect, this was an illuminating reading.

Smith to head BFI

The new director of the British Film Institute is to be Mr. Anthony Smith, a former producer with the BBC and more recently a Fellow at St. Anthony's College, Oxford.

Architecture

Living museum at Ironbridge

by GILLIAN DARLEY

The word museum has a rather grim ring to it, possibly, as Sir Ernst Gombrich pointed out recently, because of the unfortunate fact that it rhymes with mausoleum. Yet the new breed of museum is far from moribund and the fascinating complex of buildings that makes up the Ironbridge Gorge Museum is the best possible proof of that.

The physical pattern of the museum is perhaps the key to its effectiveness in evoking the past—in this case the very beginnings of the Industrial Revolution based on the technical innovations of Abraham Darby's method of smelting iron, and the industrial powerhouse that sprung up in the Severn Gorge as a result. The various displays and buildings within the museum are therefore widely scattered, and coexist within the modern communities of Coalbrookdale (still with an iron foundry in its midst), Ironbridge and Coalport. Such a setting prevents the static, hermetic atmosphere that pervades so many museums and allows for a constant link with reality. Future plans for the manufacture of tiles and wrought iron goods will reinforce this healthy relationship, continuing the historic skills of the area and providing an additional economic basis for the museum which functions as an independent trust.

Astonishingly, the first part of the museum to open to the public, the Blists Hill Open Air Museum, was inaugurated as recently as 1973. Since then, new museums have opened at the rate of one a year and this year sees two additions. One, already presenting its second exhibition, is in the converted coachhouse adjacent to Darby's house in Coalbrookdale itself. Here the recently acquired Elton Collection is the focus and Sir Arthur Elton's unmatched treasure chest of relics of the Industrial Revolution, its art, literature and memorabilia, has found a home which shows it to best advantage. Plans are afoot to turn the house, the Grange, into a museum commemorating Darby himself; sadly the fine interior details of the sturdy 18th century mansion have been obliterated in recent years and the trust will start with little more than the shell.

The major event in this Bicentennial Year of the bridge itself—the visual and symbolic centre of the museum—will be the opening, in early July, of a three-storey brick warehouse in Coalbrookdale as a Museum of Iron. The ground floor, just opened to the public, is the sales and information area. The first floor will demonstrate the processes and technical aspects of iron, from raw material to finished product, and the second floor will present a display of the range of objects manufactured at Coalbrookdale, and elsewhere.

Appropriately, the building itself, dating from the 1830s—its clock-tower was added in 1843—is supported on cast iron columns throughout. Its original windows are of cast iron and the principal eye-catcher on the ground floor is an exuberant fountain depicting Cupid and the Swan (supposedly based on a less innocuous Greek subject, Boy strangling a Goose). This flamboyant creation was part of the Coalbrookdale Company's display for the Great Exhibition in 1851 and has travelled widely before returning to its place of manufacture.

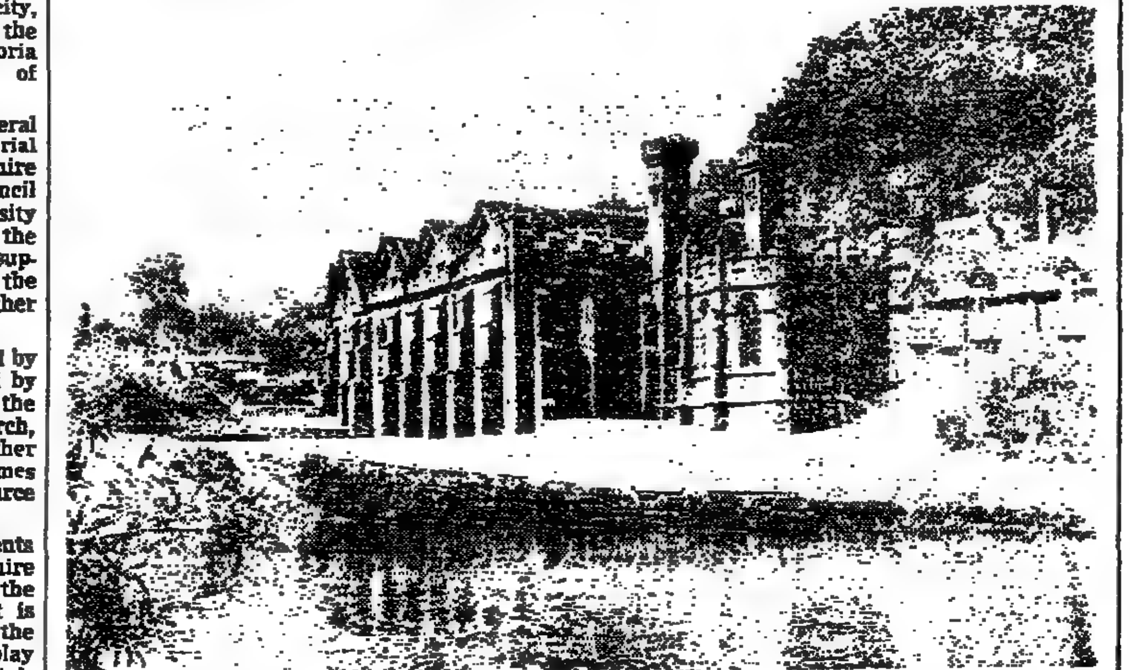
Further along the Gorge is the architectural oddity of the museum—the Gothic castellated Severn Warehouse which traces the history of the "most extraordinary district in the world" as the Severn Gorge was characterised in 1800. The adaptation of the warehouse to meseum use, carried out by Robin Wade Design Associates who are the consultant designers to the trust, has been skilfully handled. The conversion earned a Civic Trust Award in 1978.

The warehouse and its wharf, from which the Ironbridge can be seen along the river, illustrate another aspect of the Gorge in its heyday. Observers noted that there might be 150 vessels on the Severn, and this activity, surrounded by the belching smoke and leaping flames of the foundries struck visitors as an astounding scene.

One engraving shows the Gorge in 1758, seen from above; the pastoral calm of the fields, hedges and woods in the foreground, the billowing clouds coming from the valley bottom rising up, as from an inferno beneath. Long since the area reverted to a more rural, slightly decrepit existence. In 1912 it was "an uninteresting and somewhat squalid town."

In 1979 the Ironbridge Gorge is being transformed. The second largest employer in the area after the ironworks, the Museum, is an industry itself. Garlanded with national and international museum awards, Ironbridge is not, however, preparing to rest on its laurels.

That such success has been achieved within the past five years and that, with it, has come renewed life for an entire depressed region says much for the new thinking in the museum world. Ironically, and beneficially, sited within Telford New Town, Ironbridge Gorge is no polythene-wrapped leisure area. It is viable, lively and utterly engrossing.



Gothic warehouse at Coalbrookdale

New history of Oxford

A new history of Oxford, the first to be based on a full range of original manuscript and printed sources, has been published.

The book, which is a landmark in recording the past of the city, is the 10th to be published in the Oxfordshire set of the Victoria History of the Counties of England.

It is the result of several years' work by a small editorial team on the staff of Oxfordshire County Council. The council co-operates with the University of London to produce the volumes which are also supported by contributions from the University of Oxford and other institutions.

The Oxford Volume, edited by Alan Crossley and published by Oxford University Press for the Institute of Historical Research, follows the pattern of other Victoria County History volumes by going back to original source material for its information.

The history complements Volume 3 of the Oxfordshire set which dealt mainly with the university and colleges, but is not concerned solely with "the other Oxford," for the interplay of town and gown in the city's life is central to its theme.

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Industry feels the squeeze

THE MOST recent surveys of UK business opinion present a picture which is at first sight rather encouraging. Output and orders have recovered quite sharply from the disruption of the winter, and investment intentions remain relatively buoyant. Confidence in general has revived, partly as a result of the change of government, especially because businessmen feel in better control of their own affairs—especially of their prices.

Imports

Beneath the surface, however, there are some clear signs of difficulties, current and prospective. The clearest is the fact that despite a consumer boom, which is now well into its second year, home orders are still below the level which some four-fifths of businesses would welcome. This state of affairs is the natural counterpart of reports of rising import penetration in markets ranging from motor-cars to bacon.

The trade figures, due to reappear at length at the end of this week, will show what has been happening more precisely, but the general state of affairs has been clear for some months: manufactured imports have been rising very rapidly; manufacturing output has been rising very slowly.

The export picture, to judge purely by survey evidence, has been a good deal better, with orders and deliveries showing a relatively healthy trend, demonstrating again the sharp contrast between the leaders in the industrial field and the laggards. The vast bulk of the export trade remains in the hands of a relative minority of companies, who have had a long education in competing world wide. The home market, by contrast, seems to present a soft underbelly, in which many enterprises which were to some extent sheltered as long as sterling was weak have rapidly been losing ground to competitors from overseas.

The continuing strength of sterling in these circumstances is both a reassurance and a worry. It should check inflation, now apparently catching up rapidly with the rise in wage costs; but it renders the cost increase much more menacing.

It can be guessed with some confidence, indeed, that a major part of the investment now planned in manufacturing is intended to contain this increase in wage costs, rather than to add to capacity. As British wages, a the actual exchange rates ruling begin rise towards the much higher hourly rates ruling in most European countries, a rise in productivity is a competitive necessity. While industry is still planning to add to its capital—though the rise in investment may be modest, to judge by he latest Department of Trade survey—there has been a sharp rise in the number of concerns planning to shed labour.

Competitive pressure for efficiency is, of course, a healthy and welcome discipline; but like all disciplines, it can be injurious if taken to excess. Up to now, the results have looked healthy (except for the non-oil trade balance). The future, however, looks more problematic.

North Sea

The disturbing thing is that the pressures should have become intense enough to limit the growth of output so severely at this stage of the game; for the balance of payments impact of North Sea oil—the main factor buoying up sterling—is as yet a small fraction of what it is likely to become. Last year, with North Sea output somewhat behind schedule, and oil prices in real terms still low, the net contribution, after associated capital and invisible transactions, was little more than £1bn—little more than enough to pay our contribution to the EEC. This year, with rising output and rising real oil prices, it will jump sharply.

Since the present growth of consumer demand is expected to fade rapidly after the Budget, and with it some of the current demand for consumer imports, the forces driving sterling up seem likely to become much stronger from mid-year onwards. Unless these pressures can be moderated, competitive pressures could become a nightmare rather than a stimulus. The most direct method of reducing the pressure on sterling is to relax exchange controls; the need now begins to look urgent.

No consensus at Manila

RECENT YEARS have seen the waxing and recent months the waning of the belief that major changes in the world economic system can be reached by consensus. But the failures of the fifth United Nations Conference on Trade and Development which ended this weekend in Manila were more marked than even the pessimists had forecast.

After five weeks the 3,000 delegates from over 150 countries were unable to agree on a single structural reform of the world's economic institutions. Oil was not debated and even the resolutions they made were in most cases little more than calls for virtue, whether in urging more aid for the poorest of the poor or demanding a stop to protectionism.

The conference could hardly have taken place against a more unfavourable background. It came during one of the worst economic periods since the Second World War aggravated by the catch-as-catch-can in oil prices. But even before the latest round of this spiral the West had served notice that it was continuing the firm policies which have characterised its recent approach to demands for change in the world economic order.

West's objections

This firmness was particularly evident in the matter of protectionism—one of the key issues at Manila. The Tokyo Round trade package which the developed countries agreed on two months ago avoids any ban on the imposition of selective measures against "disruptive imports." This omission has caused the developing countries, with the exception only of Argentina, so far to refuse to sign it.

And on Saturday a similar show of anger emerged among the 57 African, Caribbean and Pacific countries who suspended negotiations with the EEC over a new Lome convention. The aid they were offered was, they said "unacceptable."

Many of the demands of the developing countries were never likely to be accepted at Manila. The West had set itself against the "genuine and fundamental reform of the international monetary system" and the calls for introduction of an "equitable decision making process in the Bretton Woods institutions" which the developing world had made. The West also objected to a legally-binding international code of conduct governing the transfer of technology and to demands for a structural change in the division of labour in the world.

But on some other issues there seemed hope that agreement could be reached. One of these was that more compensatory financing should be made available by the International Monetary Fund to developing countries to offset fluctuations in export earnings.

That so little agreement was reached in part reflects the differences of views between the 119 developing countries present in Manila. Arguments over Israel and ideology weer perhaps inevitable, as were clashes of interests between countries as different as Chad and South Korea.

But perhaps more important is that the overal atmosphere is different from that prevailing when the North-South dialogue began. With an economic crisis knocking at the door talk of obligations has been replaced by a colder approach by the West in which "mutual benefit" is assessed and the interedependence of the world economy is stressed.

It is such attitudes which are likely to prevail in the various international bodies—most of them less favourable to the developing countries than is UNCTAD itself—to which many of the issues debated at Manila have now been referred. In two weeks GATT may take a fresh look at the question of selective safeguards against developing countries' imports.

The whole process of changing the world through consensus has, however, lost much of its steam. Later in the year the Brandt Commission on North-South issues is to produce its own findings. In contrast to the heated talk of today these are expected to analyse the economic implications of the various proposals being aired. They could thus play a useful educative role.

But for action to follow the world's economy must revive—and without this revival the prospect for UNCTAD VI, when it is eventually held in three to four years' time, must be as poor as that of UNCTAD V.

How Muldergate caught up with Mr. Vorster

By QUENTIN PEEL in Johannesburg

THE DISHEVELLED black newspaper vendor sang as he danced in and out of the traffic in Johannesburg: "Special edition. Vorster resigns. Christmas today." Mr. Balthazar Johannes Vorster, for 11 years probably the most powerful Prime Minister in South African history, and lately elevated to the supreme honour of the state presidency, was for both supporters and opponents alike the epitome of white rule in South Africa. His demise, accused of lying to an inquiry he himself appointed, of shared responsibility for misappropriation of state funds, and in effect of weak and incompetent government, means the destruction of a legend of Afrikaner nationalism. For black nationalists, it is the end of a bitter and ruthless enemy.

His resignation does not lessen the iron rule of the National Party in South Africa, nor undermine the machinery of state control, police and military, which he helped to create. But it is a major symbolic blow to the system. The seeds of his self-destruction were certainly sown in that very system.

They were sown in the unchallenged political power of a party which has ruled for more than 30 years, and has just won its biggest majority ever. They were sown in the secrecy of a ruling elite mistrustful of anyone outside the inner circle. They were sown in the self-assurance of a puritan ethic, and in the narrow-minded nationalism which saw double standards in the behaviour of every country but its own.

Finally they were sown in the promotion of three men who became Mr. Vorster's closest advisers: Dr. Connie Mulder, his Information Minister, whose bounding ambition to become Prime Minister finally destroyed the whole group; Dr. Eschel Rhoodie, Secretary for Information, whose vision of a world-wide propaganda offensive became a multi-million rand system of kick-backs and corruption; and General Hendrik van den Bergh, Mr. Vorster's closest adviser, the security policeman whom he made an all-powerful head of the secret service, and whose evidence has finally destroyed his mentor.

The philosophy of Dr. Rhoodie was summed up in a book he wrote in 1969, called The Paper Curtain, which has been called the Mein Kampf of the Muldergate. In it he outlined his belief in a world conspiracy to overthrow white rule in South Africa, and the need to employ unconventional methods to counter it. His philosophy, and that adopted eagerly by Dr. Mulder, General van den Bergh, and ultimately even by Mr. Vorster, was that in defence of the survival of the Afrikaner nation, and thus by definition of white South Africa, "no rules apply."

One of the key themes in Dr. Rhoodie's book was the power of the English-language press in South Africa, almost unanimously anti-Government and anti-Afrikaner, as he saw it. Yet it was the only press that most foreign correspondents in South Africa were able to read, and therefore its liberal views were liable to colour the entire vision of South Africa presented to the world. Dr. Rhoodie's answer was to gain control of an English-language publication to give the government point of view.

The first step in that grand strategy, which was finally to cost at least R64m (about £37m) in secretly budgeted government money, was taken in 1972 with the founding in Johannesburg of a news magazine, To The Point. According to Dr. Mulder, the decision to use government money to fund such a magazine was taken by himself, already Minister of Information since 1968, Dr. Nico Diederichs, the Minister of Finance, and subsequently State President, Mr. Vorster, the Prime Minister, and General van den Bergh. Dr. Rhoodie, then American Desk officer in the Information Department in Pretoria, was made assistant editor and government representative on the magazine. Within nine months Dr. Rhoodie had been promoted to head of the Information Department, over the heads of his more traditional superiors. The scene was set for putting his ideas into practice.

Dr. Rhoodie and Dr. Mulder instantly set about drawing up a five-year-plan for their unconventional warfare. It included two arms. At home, they would try to buy their way into the English-language press, using front operators, failing which they would set up their own purportedly independent newspaper. They also established a string of supposedly independent pseudo-academic organisations to influence visiting dignitaries. They published a pile of glossy books and magazines through such fronts, again purporting to give an independent, objective view.

Overseas, the same sort of strategy was used, with conferences organised by supposedly independent bodies using secret finance, and a flood of coffee-table books extolling the virtues of separate development, independent Bantustans, and the strategic significance of South Africa, its minerals, and the cape shipping route.

Attempted takeover

The surreptitious acquisition of otherwise independent publications was also attempted. More than $10m was provided to help buy the Washington Star newspaper. When that failed, the money went to buy the Sacramento Union, a local newspaper in California. A further $1.3m was provided to try to buy a half-share in a world television news agency UPITN, according to the latest report of the Erasmus Commission's inquiry into the whole affair. In Britain, the department provided money for an attempted takeover of a well-established publishing house, Morgan Grampian, owner of a string of trade and technical magazines. The attempt failed.

General van den Bergh (left): his insistence that he kept Mr. Vorster (right) informed of secret projects brought the former Prime Minister down.

The two men set out on more than 100 secret projects between 1973 and 1978, most of which have never been revealed, for reason of state security. Cryptic references have been made to campaigns in Namibia (South West Africa) and the black township of Soweto, without any indication of what they consisted of. The secret accounts of the Department refer to pay-offs for dozens of unidentified collaborators, who may or may not have existed. The involvement of General van den Bergh as head of the Bureau of State Security in much of the planning suggests that some intelligence work may well have been included.

The whole scheme might never have collapsed, bringing down with it Mr. Vorster himself as well as Dr. Mulder, his crown prince, if it had not been used for personal corruption and the personal political ambitions of the participants. The official inquiry has not concluded that the international arm of the strategy was morally wrong. The purchase of shares in Morgan Grampian was "A Bona fide effort to gain a foothold in foreign media with the object of promoting South Africa's interests," the Erasmus Commission concludes. But the temptation of controlling so many millions that did not have to be accounted for publicly and which were "laundered" to the department through other state agencies meant that the personal and public finances of several major participants became inextricably intertwined.

The scheme which finally sank the whole strategy was the biggest of all, the R32m financing of a pro-Government, English language daily newspaper in Johannesburg, The Citizen. The use of Government money for what was clearly a party-political purpose, combined with the high-living of Dr. Rhoodie and his friends, finally shocked enough deeply religious Afrikaner nationalists into joining forces with the otherwise powerless English-speaking opposition to expose the Muldergate. Even then, the National Party might have closed ranks to limit the damage, if it had not been for Dr. Mulder's determination to become Prime Minister. In the end, the only way to stop him—for he was leader of the largest provincial group in the party, the Transvaal—was to expose his operation.

Since Muldergate was part exposed, the problem for the Government of Mr. P. W. Botha has been to limit the effects. But the affair went so near to the heart of the whole structure of National Party rule that Mr. Botha was finally compelled to sacrifice the figurehead, Mr. Vorster himself. Dr. Rhoodie's thesis that the rules do not apply when the survival of South Africa is at stake undoubtedly struck a chord with many embattled Afrikaners—and also an increasing number of English-speaking South Africans convinced that they are the target of some world conspiracy. The Citizen newspaper, in spite of its origins, has won a significant number of loyal readers who welcome its extremely conservative slant.

There has never been much doubt about Mr. Vorster's knowledge of, and silence about, a large part of the information affair. Finding him innocent last December, in its first report, the Erasmus Commission had to dismiss the combined evidence of Dr. Mulder, Dr. Rhoodie and General van den Bergh. In yesterday's report, it accepted the word of General van den Bergh that he kept Mr. Vorster informed on the secret projects, and concludes that the former Prime Minister must have lied. One major reason for that conclusion is that it is backed by Senator Owen Horwood, the Minister of Finance. If it were to be proved that Sen. Horwood had himself known about the Citizen, Mr. Botha had promised to resign and call a general election (or if any other member of his present Cabinet had known). The only alternative was to disbelieve Mr. Vorster, and to sacrifice him. That has proved the less embarrassing alternative.

It is still unclear precisely how much Mr. Vorster knew about the secret projects. General van den Bergh and Dr. Mulder claimed that he was kept fully briefed. Mr. Vorster denied it. But once he had to admit that he knew about the financing of the Citizen, he still kept silent for 13 months before he admitted it to the rest of his Cabinet. In announcing Mr. Vorster's resignation, Mr. Botha blamed his ill health in the latter years of his premiership for his apparent incompetence. But it is becoming increasingly clear that the man who was regarded as a "strong" Prime Minister was in fact indecisive and lacking in clear direction.

Even the famous detente initiative, for which he was given some international credit as a statesman, may not have been his own. Dr. Rhoodie has claimed responsibility for himself and General van den Bergh, declaring that Mr. Vorster had to be "dragged kicking into Africa."

Mr. Botha now hopes to end the long-running scandal of the information affair, in spite of the scores of projects still secret and the outstanding questions on his own role in allowing money from his former defence budget to be used—and that of Senator Horwood (who approved secret projects without questioning them). He has introduced a bill in Parliament which would prevent any further press investigation of government corruption without permission from a senior law officer. If it is enacted, there is little doubt that a future Muldergate could be hushed up. Combined with legislation protecting the police, oil, strategic investments and defence, the press will soon be more fettered than ever before.

There is no doubt that the South African white electorate is numb with Muldergate exposures, and there is a clear desire for the catharsis Mr. Botha needs. Already there is a "new regime" firmly ensconced.

In one recent by-election, the National party won a record majority, in spite of all the exposures. Tomorrow there is another to be held in Dr. Mulder's former seat of Randfontein. There is expected to be a degree of abstention, and a swing to the Right-wing Herstigte Nasionale Party by white miners protesting against the proposed liberalising of the labour laws.

But the National Party will win. In the long run, however, the sacrifice of a folk hero is a bitter psychological blow, made worse by the discovery of corruption in puritan ranks. It is one which Afrikaners will need a long time to live down.

MEN AND MATTERS

St. Paul's pulls out the stops

The guides in St. Paul's Cathedral gave up an unequal struggle in St. Paul's Cathedral just before lunchtime yesterday. Tourists stopped in astonishment to hear Elgar's "Pomp and Circumstance" march being played at full volume on the grand organ. The most attentive listener of all was Garry Weston, chairman of Associated British Foods: the brief recital was especially for him.

The organ has been entirely re-built with income from a £1m gift to the cathedral by Weston's father, "biscuit king" Garfield. "As a Canadian, he was very interested in St. Paul's, with its Commonwealth links," says Weston. 'Also, my great grandfather was born within a mile of the cathedral, so my family is especially attached to it."

After the recital, Weston had lunch in the Chapter House, and was shown plans for a major redevelopment of the St. Paul's crypt. It is likely that money from the Weston gift will help with this £500,000 project.

The Dean of St. Paul's, the Very Reverend Alan Webster, plans to create a new entrance to the crypt, set up an audio-visual exhibition there, make a restaurant for visiting groups, and greatly widen the historic displays for tourists. "The cathedral has 3m visitors a year," says Webster. "It's dome is a symbol for London. I know that if we can find the money, much better use can be made of the crypt than at present."

Webster brings some of his ideas for St. Paul's from Norwich, where he was dean for 14 years and arranged an "interpretative exhibition" in the cathedral crypt. He has also been establishing links with Notre Dame in Paris, to study how the French organise a place of worship that is also a great tourist attraction.

African images

Although the Nigerians are notably unfriendly to foreign journalists, they seem not averse to visiting public relations men, now that the country's elections are looming. Maurice Chandler, a senior executive of Michael Rice Associates, flew out to Lagos yesterday to discuss the campaign of the National Party.

Elections for Nigeria's Senate will be held next month, and the process reaches a climax in October when the Presidential elections are held. Alhaji Shehu Shagari, the National Party leader, is strongly tipped to win.

Michael Rice was keen to assure me that his company will not be engaged in on-the-spot political consultancy—as various British PR firms were before the 1966 coup imposed a 15-year interruption in civilian politics in Nigeria. "We shall be giving technical help from London, through a Nigerian firm," he said.

The firm is now heavily involved in the Middle East oil states—where it has, among other activities, helped to set up a string of museums. This may have helped it to win a contract in Nigeria. The National Party has its base in the Muslim north.

Finding the drips

The diplomatic consequences of Sir Nico Henderson's gloomy memorandum when he retired as ambassador to Paris—leaked last week—cannot easily be repaired. But the Labour Party can at least console itself that it is not going to be involved in the ritual closing of the stable door after the horse's departure. The Labour Party is notoriously bad at staunching leaks.

Ron Hayward, Labour's general secretary, tells me that some years ago the number of leaks from the party's national executive committee had reached such proportions that it was decided firm action must be taken. The result was a sub-committee of five under the chairmanship of Sam Watson, the National Union of Mineworkers' representative on the executive. Its instructions were to unearth the spies and mete out summary justice. A list of confidential proposals, drawn up at the first meeting, duly appeared on the front page of every Fleet Street paper the following day.

Life after death

The forthcoming congressional elections in Mexico have led to an embarrassing revelation: the register of 28.5m electers includes between 2m and 3m who are no more, in some cases having passed on a decade ago. This would cause little comment in some places, including, it is said, Northern Ireland. But in Mexico the left-wing parties taking part in the elections for the first time complain many people are being kept "politically alive."

The Minister of the Interior, Enrique Olivares Santana, admits guardedly that in certain towns "the number of electors is higher than the number of citizens." The list is to be pruned accordingly.

Palace hustings

The difficulty of getting round all the potential voters in a Euro-constituency clearly means candidates must pick and choose. With commendable enterprise, the Liberal candidate for London Central, Robert Brown, yesterday tried his luck at Buckingham Palace.

It is true that peers (though not lunatics) are permitted to vote in the Euro-elections, so in theory the Queen may herself be eligible. Brown, however, stuck bashfully to the 100-odd footmen and household servants who live in.

A Palace official said she thought Brown was the first to try his luck there, "but it's really a matter for the candidates—people do live here and the candidates can come and canvass if they want."

Grounded offer

"Fly now on TWA—and you can fly round trip later at half fare," proclaimed a full-page advertisement in large black letters in yesterday's New York Times. No sooner had this eased the digestion of the national breakfast than TWA announced with a red face that it was all a dreadful mistake. The corporation was full of "regrets."

It seems the advertisement had been prepared to counter the massive cut-price promotion launched by United Airlines, largest domestic carrier in the U.S., which has just ended a crippling strike and is fighting to regain its share of the market. TWA evidently forgot to mention to someone that it has decided against implementing the counter-attack—yet.

Tactless trousers

While, further east, the Poles have been feting the Pope with rather greater rapture, East Berlin has been in the throes of its own celebration—the 30th anniversary of the founding of the German Democratic Republic. Half a million members of the Communist youth organisation have been parading up and down East Berlin pledging their loyalty and gratitude to the party, and of course to the Soviet Union.

As they marched in endless columns past an appreciative leadership on Karl Marx Alle, no-one seemed troubled by the irony that every second teenager was wearing, along with the blue uniform shirt of the Free German Youth, a pair of capitalist-made jeans, each costing £40 in East Germany.

Observer

Japan's exports for a changed world

By CHARLES SMITH, Far East Editor in Tokyo

AN'S EXPORTS of manu- red products have been rgoing a major structural in the past three years from "traditional" items steel, ships and TV sets towards a new generation achinery. This is apparent a study prepared by the try of International Trade ndustry which has overall nsibility for monitoring t progress.

ording to MITI steel ed its peak as contributor pan's overseas earnings in ost-oil crisis year of 1974 no less than 20 per cent of apanese foreign exchange ngs accrued to the "Big integrated steel makers handful of smaller non- ated producers.

ps and TV sets had their y in 1975 (in terms of earnings: orders, of , were already declining y that time), while the of cars in total exports almost certainly prove to "peaked" in 1978 (when notor industry accounted ist under 17 per cent of exports, but faced severe ints in both the U.S. and n European markets).

value terms car exports 9 may be marginally larger in 1978 but they will be r, according to MITI and other observers, as a ratio al exports and may never their former eminence.

category of Japanese s which has meanwhile gaining ground rapidly in of its share of total over- sales, is the one described tantalising vagueness by as "general machinery." rose from about one-fifth l exports in 1965 to one- r in 1974 and well over ird of an export total was 10 times the 1965 by last year. General nery exports in 1978 were, t, earning over twice as for Japan's external pay- as steel, ships, cars or TV he four items which have been the main targets of western demands for Japanese export restraint.

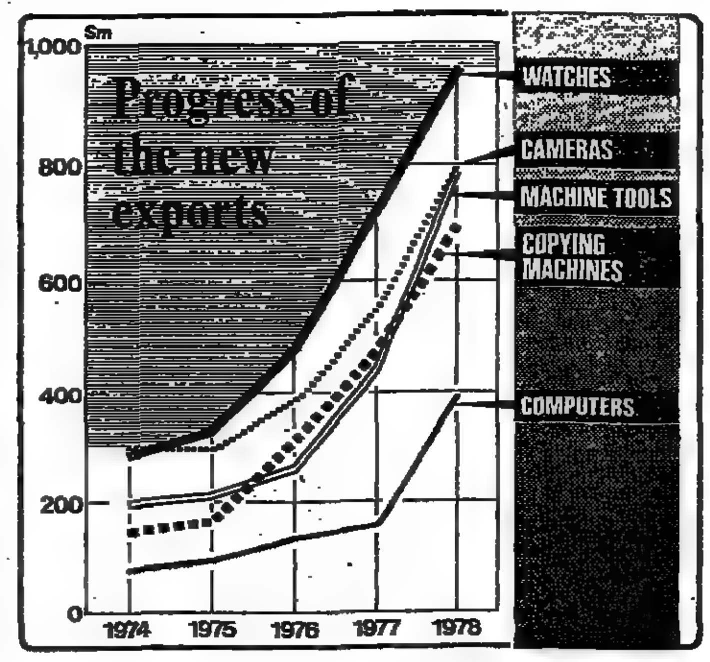
One reason why the traditional exports have been losing ground to a new generation of products is, of course, the fact that severe restraints have been imposed, either by Japan or by importing countries, on shipments of all four. The most comprehensive restraints to have been introduced to date were those announced by MITI itself in the summer of 1978 in the form of volume ceilings on shipments of all four products for fiscal year 1978.

A second set of reasons for the move away from traditional export items includes the impact of yen revaluation on Japan's export prices and the growth of competition from new industrial countries such as Korea, Taiwan and Singapore. In deference to these pressures and to the rise of protectionist sentiment in the U.S., the major Japanese electronics manufacturers suspended direct shipments of TV sets from Japan to North America in late 1978 and substituted shipments from their plants in Taiwan or Singapore.

Newcomers

Japanese exports of general machinery have not yet been hit by western protectionist moves, partly because many of the products concerned are relative newcomers to the market and partly because, in some cases, there is virtually no direct western competition anyway. MITI, however is understood to be monitoring the growth of "new" exports and stands ready to issue warnings to industries which show signs of advancing too rapidly into world markets. Its monitoring system is based on the combined criteria of a product's share in total Japanese exports and the rate at which it is contributing to the growth of exports over a given period.

MITI has shown a marked reluctance to identify potential victims of its export restraint policy but a short list of outstandingly successful "general machinery" exporters can be compiled without too much difficulty. It includes (in inverse order of size and value) the very large scale computers now being successfully marketed by Fujitsu in the U.S. and just introduced in Europe via the Siemens marketing network; machine tools almost all numerically controlled; tractors, mainly below 40 horse power, although Japan is starting to make the larger sizes which will compete directly with those of western manufacturers; copying machines where Japan has successfully carved out a position for itself at the small end of the market; and cameras and watches where Japan has established a long lead over Europe in the application of integrated circuit technology.



MITI officials say that the wholesale application of advanced electronics to everyday products is one of the main themes underlying the emergence of the "new" export industries. They cite a readiness to exploit the smaller ends of markets in which western manufacturers have established a lead in large sized products as a second important factor, and the typical Japanese ability to combine two or more products into one as a third. To these three factors there could be added a willingness to spend money heavily on overseas sales facilities and a competitive situation within Japan which makes exporting inevitable.

Five Japanese medium sized companies are currently fighting each other in the U.S. and European markets for numerically controlled lathes while a similar number of different companies are competing to sell computer controlled machining centres. In the small tractor market one major Japanese company, Kubota, faces four competitors, each of whom, unlike Kubota itself, has signed a marketing contract with a leading western tractor manufacturer, who will sell the tractors under his own brand name.

In computers the competition is between fewer companies but is no less fierce. Basically what is happening is that Fujitsu, the leading "native" manufacturer, is struggling to increase its domestic and overseas market share at the expense of IBM Japan. Fujitsu sold Y26bn (£58m at the present exchange rate) worth of exports in 1977 and Y34bn in 1978—figures which would seem to indicate that Fujitsu is making headway.

Japan's "new exporters," like its older ones, admit to having been hit hard by yen revaluation in 1977 and 1978. Fujitsu for example cites the high yen as the reason why its exports slowed down in 1977 after extremely rapid growth in 1976. Nearly all the industries concerned however appear to be able to sell abroad with ease at the recent rate of around Y220 to the U.S. dollar. Kubota says it could export and make a profit if the dollar fell as low as Y175 (a rate which was momentarily touched last autumn).

Toshiba Kikai, one of the top exporters of computer controlled machining centres, based its 1979 export plan on an exchange rate of Y190 to the dollar, while Ikegai (one of the top numerically controlled lathe makers) chose a rate of one dollar equals Y205. These rates mean that if the yen stays where it is today, the companies concerned will either be making windfall profits, or can afford to cut their dollar-denominated export prices.

CHANGING STRUCTURE OF JAPAN'S EXPORTS

(Percentage shares of $-denominated export value)

	1965	1970	1973	1974	1975	1976	1977	1978
Textiles	18.5	13.1	8.7	6.8	6.8	6.1	5.7	4.9
Steel	15.0	14.6	15.0	20.5	16.8	15.2	12.4	12.6
Ships	8.7	7.4	10.0	10.2	10.8	10.9	9.7	6.0
Cars	2.9	7.5	9.8	9.2	12.2	13.2	15.2	15.9
Electronic products*	4.6	7.8	6.8	4.7	5.3	6.6	5.8	5.8
General machinery	19.7	24.3	28.2	25.4	27.6	28.9	32.1	35.9
Others†	30.6	25.4	21.5	23.2	20.5	19.1	19.1	18.9
Total export value in $bn	8.7	20.2	39.7	58.4	57.0	70.6	84.6	99.0

* Including TV sets and videotape recorders † Including chemicals, food and metals

For the majority of the "new export" industries, the number one overseas market both in terms of size and timing has been the U.S. Fujitsu's entry into the American market in 1976 preceded its EEC sales debut by three years. What is also clear, however, is that Western Europe promises to be a valuable second string for almost every company concerned. Toshiba Kikai which "could not believe" it could sell its machines in Western Europe two years ago is now gaining four or five European orders (worth $150,000 each per month) against two or three from the U.S.

It attributes its success in the EEC to the failure of European companies to keep up with a domestic sales boom. Kubota explains its success by saying that western tractor manufacturers gave up making small machines (when western farms were merged into sizes which needed larger tractors) and failed to notice the growing second-hand market in small machines for non-farming uses.

Many Japanese machinery makers, particularly in areas such as machine tools where Japan's competitive strength is recent, say that their customers in the West are mainly small or newly established companies. The computer controlled lathe makers at present have little hope of getting orders from the U.S. motor or aircraft giants, but do appear to be sweeping the board in medium- and small-sized industry where computer-controlled machine tools are a novelty that can be afforded at Japanese prices only. Most are confident that their markets in the West will keep on growing—always provided that MITI does not put a spoke in their wheels by telling them to adopt export restraint.

Tooling up for the next generation of American small cars, the next generation of American passenger aircraft, and the start (or restart) of oil prospecting on U.S. territory is seen as providing an almost unlimited potential market for the machine tool makers. Competition of course is taken for granted but in some industries economies of scale have been achieved which could make it hard for others to catch up with the Japanese. Kubota can produce 100,000 tractors per year at its Tsukuba plant (reputedly the world's most highly automated). Any European or U.S. company wanting to challenge it in the light tractor market would need to acquire production capacity of at least 50,000 units per year, the company says.

Japanese industry does not expect to stand still at the point it has reached in developing a new generation of machinery exports. Future additions to the range (some of which are already beginning to make their appearance) will include robot and transfer mechanisms for assembly plant automation, computer software to supplement Fujitsu's present hardware-oriented export offensive, petrol injection equipment, and other integrated - circuit - controlled devices to make cars more economical and less polluting. With the aid of these, and a wide range of components for industrial plants and electric power stations, Japan expects to be able to pay its way in world trade into the first half of the 1980s and beyond — assuming, of course, that its plans are not foiled by a new round of western trade barriers.

Letters to the Editor

ie European Parliament

Mr. F. Paton

—During this week voters he age of 18 in nine an countries are entitled t their representatives to rld's first multi-national nent. Forty years ago ame countries were pre- for the inevitability of other devastating war. ughout the world people ateful for the achieve- of the "European idea" has provided a secure nment for business pment and has brought t ample evidence of in- g living standards and portunities. The citizens pe are well aware of the n and, I believe, will vote astically for the concept rectly elected Parliament ey are disappointed that mpaign has failed to cap- he imagination of the nd the politicians simply e throughout Europe lism and party politics have been promoted rather than the real issues of creating a united Europe.

This historic election is about the type of leadership that the Parliament should give to solving the great European problems of our time such as the size of the budget, the energy crisis, overseas aid, monetary union, employment or the role of agriculture in a European society which today no individual country is able to solve alone.

The people of Europe will, I believe, seize their opportunity this week to show their confidence that the European Parliament will develop to provide the necessary leadership in order to promote co-operation between the member states and improve the quality of life of the people of Western Europe.

Frank Paton.
Smocombe House, Enmore,
Bridgwater, Somerset.

oking ead

Mr. G. Essex

—Nobody cares about the an elections because the nefits will come in the not tomorrow nor even ar. Most people naturally lifficulty visualising that ad.

luck, however, our hildren, say in the year will literally speak the anguage as their friends nany, and send a 5 Euro- gift voucher to a friend ace.

sales office will be able lse an ordinary UK /despatch note in of goods supplied any- in the EEC. Our market h will cover a market m people and we will to achieve the same share as we do in the I wish to start a business own I will have six the number of high al towns to choose from. entrepreneurs will be d to the UK (witness ccess of Eire) — thus g jobs and investment.

nort, Europe is a great nity, but let us not it on too short a time- From acorns do mighty row.

D. Essex
Top, Tinacre Hill,
ick, Wolverhampton.

periment in ticipation

Mr. R. Smith

—The article by Mr. an Tyler (May 22) on st Office experiment in pation contains a quota- rom one of the trade directors, as follows: ave not so much had to roles, as been presented hem. Very little has d in the way the board operates. We are not d to formulate policies give advice on their initiatives—and that's ing of a limitation. We en by the Post Office racy as a slightly t group of part-time rs. Therefore our role y limited; in that sense e the board of any nterprise with part-time rs."

is fairly represents the n of the Post Office then why does it exist? is its purpose? An y committee? A board that does not make policy! Why did Mr. Wedgwood Benn appoint trade union directors to it if this is the case? One thing is certain, most enterprises with non-executive members would reject the comparison.

A board should do three things: Set policy; monitor its implementation; and control, by its authority to hire and fire, the executive management which is responsible for implementing the policy.

The trade union director is reported as saying that the Post Office is too big to manage as one enterprise, the implication being that this is the job of the board. But, of course, it is not —nor is the Post Office in fact managed as a single enterprise.

A board directs; it does not manage. For this reason Sir William Barlow (as the article tells us) has sought to devolve authority to manage — presumably in accordance with the policies which have been determined by his board.

Ron Smith,
3 Beech Grove,
Epsom,
Surrey.

Gas-cooled reactors

From Dr. C. Haigh

Sir,—Mr. Fishlock (May 31) on the French nuclear programme rightly quotes Dr. Pecqueur as saying that the Three Mile Island accident was a very large safety experiment. He could have added that as well as being ruinously expensive it was also an unplanned experiment and that this is not the best way to do scientific work.

The American accident was really a demonstration of what can happen to nuclear reactors with two-phase coolants. All reactor safety depends in the end on man-made safety devices but when things start going wrong the properties of the coolant play a significant role. Water, as used in the PWR, can change phase and become steam under fault conditions; its cooling properties diminish instantaneously and there may be less than a second for the safety mechanisms to work. Something of this sort clearly happened at Three Mile Island. Gas coolants, on the other hand, do not change phase in such circumstances and there is much more time (say, up to an hour) to take remedial action.

It is correct to say that the British gas-cooled reactors could not suffer the Three Mile Island fate and one of the lessons from America is that no one with a successful gas-cooled thermal reactor system such as our own should readily contemplate a change to water cooling. Perhaps more important, the accident has a bearing on the future of fast breeder reactors.

In the coming energy crisis, uranium fuels will have to be exploited to the full and to do this fast reactors are essential. Fast reactor work goes back over 25 years and for historical reasons the main line of development has been with liquid metal, sodium, as the coolant. Within the working range sodium is a two-phase coolant, to say nothing of its highly corrosive properties. Over the years it has become technically possible to use relatively inert gases for cooling fast reactors and it seems unlikely that sodium would be the choice of anyone starting fast reactor work today. The Three Mile Island accident is a good indication that reactors should move away from two-phase coolants and that gas-cooling is the correct line to follow for the fast reactor.

Twenty and at most 30 years remain in which to produce a safe, reliable and proved fast reactor for series construction. There is just time to do this with a gas-cooled system.

(Dr.) C. P. Haigh
Painswick,
Old Sneed Park,
Bristol 9

Saving energy

From Mr. D. Green

Sir,—Vigorous application of energy conserving techniques is now clearly required if we are to cope with the effects of the energy expensive economy recently declared at the Paris meeting of Energy Ministers. It is, therefore, somewhat surprising that politicians are telling us that pursuit of today's steady policy on energy conservation is adequate.

We have had five years of sporadic "Save-it" campaigns, and less than two years of positive domestic incentives for insulation, since the first oil price rise in 1974. In opposition the present Government were justifiably critical of such a timid approach. Now there are 2.5m homes unable to benefit from insulation grants, merely because some of their owners followed the advice of pre-grant aid "Save-it," and insulated their homes. These home owners should now be upgrading to higher standards; however, they will get no help with this vital task. Yet if they had no insulation, having ignored "Save-it," they would now be getting a grant!

This irony raises the issue of how real all governments' political commitment to the needs of energy conservation has been. Loft insulation standards were, for instance, "doubled" in 1974, but only from one inch to two inches! Official advice now advocates an equivalent of four inches, with official regulations stuck at around two inches. We are, therefore, building tomorrow's energy problems. It is worrying that official sources indicate that even now only two years can be pared off the review of insulation standards — leaving us three more years of wasted energy to wait.

If we are to take seriously Whitehall's request for energy conservation, then a political initiative is required by this Government which will develop its manifesto commitment to an enhanced insulation programme across all sections of the economy.

David Green,
(Energy Consultant),
Friends of the Earth,
9, Poland Street, W1.

Credit traders' licensing

From the Director General, The National Chamber of Trade

Sir,—I was delighted to learn from David Churchill's report (June 1) that the Government is thinking about abolishing compulsory licensing under the Consumer Credit Act.

The National Chamber of Trade has repeatedly drawn attention to the unreasonable demands made upon smaller businesses in particular by the Office of Fair Trading in this connection. We believe the charge is too high, that the period covered by the licence is far too short, and that the associated documentation is so technically complex that it is impossible for it to be understood by the average businessman.

In a letter to the Department of Prices and Consumer Protection on February 5 I said: "The regulations are almost completely unintelligible to anyone without some degree of legal knowledge, and the references in the regulations to sections of the Act and the cross-references make the documents just about as complicated and difficult to understand as anything one could imagine. No person without legal assistance or a pretty high standard of education could possibly understand what is required of him and it is important to note that failure to comply with the regulations is a criminal offence."

I do hope that we may look forward to some relief from these burdensome and time-consuming nut-cracking sledgehammers.

Leslie Seeney.
Enterprise House,
Pack and Prime Lane,
Henley-on-Thames, Oxon.

Clearing small cheques

From the Managing Director, Stuart Turner

Sir,—I am grateful to your correspondents who have expressed interest in the cost of clearing small cheques drawn on European banks. A Post Office National Giro account is not a complete answer because, in the first place, a customer has to know that you have such an account before he can use the Giro system.

If a seller receives a cheque drawn on a European bank, by post or over the counter, there is, so far as I know, no way of clearing it without it being physically returned to the issuing bank. Would it not be possible for all the EEC countries to devise a common system which would simplify and thereby reduce the cost of collecting these cheques? It would facilitate dealing with the EEC and other countries.

One suggestion made to us recently was that the seller should raise his prices to cover bank charges. This is not practicable. Often the charges are an unknown quantity, and in any case it is not advisable with prices already raised by a high pound sterling.

P. N. Barnard,
Market Place,
Henley-on-Thames, Oxon.

Today's Events

U.K.: Mrs. Margaret Thatcher meets French President Giscard d'Estaing in Paris—her first visit to the Continent as Prime Minister.

Mr. Gordon Richardson, Governor of the Bank of England, guest speaker at annual lunch of Food and Drink Industries Council, Savoy Hotel, London.

Sixth World Airports Conference opens, Cafe Royal, London (until June 7).

Institute of Chartered Accountants of England and Wales annual meeting, Chartered Accountants Hall, EC2, 10.30 am.

Lloyd's of London Press marine seminar "Bill of Lading Conventions" opens, Tower Hotel, London (until June 7).

Princess Chichibu of Japan arrives in UK for visit until June 14.

The Queen and the Duke of Edinburgh, accompanied by the Prince of Wales, attend concert at Royal Festival Hall in honour of Sir Robert Mayer's 100th birthday, 8 pm.

Queen Mother opens British Steel Corporation new ore terminal, Hunterston, Ayrshire.

Overseas: State funeral for Mrs. Dora Bloch, Tel Aviv, Israel.

OFFICIAL STATISTICS

London clearing banks' monthly statement (mid-May). UK banks' eligible liabilities, reserve assets, reserve ratios and special deposits (mid-May). Hire purchase and other instalment credit business (April). Retail sales (April-final).

COMPANY RESULTS

Final dividends: Atkins Brothers (Hosiery). Carless Capel and Leonard. De La Rue. Electronic Rentals. Lilleshall. London and Overseas Freighters. Parkland Textile (Holdings). Premier Consolidated Oilfields. Scoteros. Sketchley. Tanks Consolidated Investments. Interim dividends: Muirhead. North British Steel Group. Northern Foods.

COMPANY MEETINGS

Berwick Timpo, 79, Wells Street, W., 12. James Beattie, Wolverhampton, 2.30. A. Caird, Dundee, 12. Electrical and Industrial Securities, Connaught Rooms, WC, 12. Gill and Duffus, 201, Borough High Street, SE, 12. Mettoy, Winchester House, EC, 12. Provident Financial, Bradford, 12. Rowntree Mackintosh, York, 3. Rugby Portland Cement, Rugby, 12.05. Rush and Tompkins, Charing Cross Hotel, W., 2.30.

UK COMPANY NEWS

Martin the Newsagent 20% increase midway

THE DIRECTORS of Martin the Newsagent report a 20 per cent increase in taxable profits from £1.89m to £2.27m for the 26 weeks ended April 1, 1979, on turnover up at £44.14m, against £39m—a rise of 13 per cent.

Profit for the whole of the previous year was a record £3.16m.

The group, retailing in the trades of news, tobacco, confectionery, etc., had a good Christmas quarter, particularly in the High Street stores, the directors state, which more than offset the difficult trading conditions of the second quarter. These resulted from industrial troubles in the news industry.

	26 weeks 1979 £000	1978 £000
Sales*	44,127	39,004
Depreciation	343	294
Trading profit	2,300	1,897
Investment income	35	39
Interest payable	68	50
Profit before tax	2,268	1,886
Taxation	610	695
Net profit	1,658	1,191
Extraord credit†	40	—
Preference div.	4	4
Attributable	1,694	1,187
Ordinary div.	212	181
Retained	1,482	1,006

*Excluding VAT.
†Profits on sale of fixed assets.

The directors' forecast of a material increase in profit for the full year, remains unchanged, assuming regular supplies.

After tax for the half year, lower at £610,000, compared with £695,000, earnings are shown as 25.5p (18.6p) per 25p share. The net interim dividend is raised from 2.838p to 3.2639p—last year's final payment was 4.532p.

The directors say that 35 stores are expected to be sold or closed during the year, including six general stores. Rationalisation at this rate is not expected to continue for more than a further 12 months.

The purchase of existing shops, and the opening of new stores, continues both locally and in the High Street, they add.

• comment

Against a background of continual disruption in the newspaper industry, bad weather and the difficulties of keeping up with rising costs, Martin did well to achieve a profits rise of a fifth in the first half. This compares with NSS's 10 per cent rise for a similar period. In Martin's case, the various industrial disputes in Fleet Street probably trimmed profits by around £175,000 — slightly less than NSS—but this was offset by very strong Christmas trading in confectionery, records, cards and toys. Two other factors also helped margins. Firstly, Martin has continued its programme of closing its less profitable units, particularly the chain of general stores. In addition, along with the fall-off in national demand, the company has reduced its dependency on low-margin tobacco sales which now account for roughly 32 per cent of group turnover, compared with 36 per cent a year ago. Sales growth has not slowed in the second half but profits are not expected to keep pace, mainly because of rising costs. But profits of at least £3.5m look possible for the year and at 270p the shares are on a fully-taxed prospective p/e of 8.7. The yield is a well-covered 5.3 per cent.

HIGHLIGHTS

The Airways Pension Scheme has revised its offer for the Debenture Corporation and agreed that management contract and pension costs will no longer be borne by accepting shareholders. The new approach has been pitched at 102 per cent of the formula net asset value of Debenture. Lex considers the implecations of the new offer and also examines the £13.8m bid by Aurora Holdings for Edgar Allen Balfour. The column inspects the new bargain reporting procedure set up by the Stock Exchange and looks at the Government funding programme in the light of the last call on the partly paid 11 per cent Exchequer stock 1991. Eligible liabilities, published today, give the first indication of current rates of money supply growth. Elsewhere Hardy and Company (Furnishers) has publicly rejected the Harris Queensway offer but there are now signs that a higher and more acceptable bid agreement has been reached.

Healthy prospects for Waterford Glass

A FURTHER IMPROVEMENT in profits during the coming year is expected for Waterford Glass, the Irish industrial holding company.

In his annual statement with the accounts, Mr. Patrick McGrath, the chairman, states that prospects for the current year continue to look healthy. He says it is anticipated that increased productivity, internal expansion and price adjustments where appropriate will cope with any negative factors that may arise.

As reported March 21, pre-tax profits rose 17.9 per cent to £10.61m for 1978, despite adverse currency movements. The net dividend total is lifted to 1.7985p (1.302p), while a one-for-two scrip issue is also proposed.

During the year the production of Waterford crystal was fully absorbed in all markets.

Mr. McGrath reports that the first stage of a new factory being built on a 22-acre site on the outskirts of Waterford is scheduled to be in production early in 1980.

It will concentrate largely on the production of existing and new forms of lightingware together with other products which the company is in the process of developing.

Aynsley China achieved record sales and profits during the year. "Further expansion has taken place in accordance with our continuing policy of development of new designs and products," says the chairman.

The Switzer Group of retail stores performed well with a healthy record in sales and profits. Improvements have been carried out in all stores and a very large scale expansion will be carried out at Cash's in Cork during the current year.

The Smith Group, which has as its main activity the distribution of Renault cars, improved both turnover and profits. Although the company's market share declined, the total number of units sold was in excess of the previous year.

At balance date, group net current assets were up from £25.42m to £30.04m, and fixed assets rose from £24.55m to £26.59m. Shareholders' funds increased by 15.9 per cent to £37.31m, while borrowings grew 11.5 per cent to £15.99m.

At December 31, 1978, Avenue Investment Company held 31.03 per cent of the equity.

Meeting, Dublin, June 26, noon.

HAMPTON TRUST

Hampton Trust announces that of 3,441,931 ordinary shares offered by way of rights, 3,068,213 have been taken up (approximately 98 per cent).

Pritchard advances 18%: sees further progress

AN 18 per cent increase in pre-tax profits is reported by Pritchard Services Group, the building services concern. The taxable surplus rose from £2.18m to £2.57m in 1978, on turnover 17.6 per cent ahead of £53.38m, against £45.39m.

At midway, profits were higher at £1.17m (£0.97m), and the directors expected a satisfactory full-year result.

Mr. Peter Pritchard, chairman and chief executive, says operating profits in the current year should show a satisfactory increase, the major part of which will occur in the second half. As a result of acquisition, interest costs will be higher but record net earnings are anticipated.

With a dividend cover now of 4.4 times, the chairman indicates that if controls were removed the group would consider moving to 2.8 or three times cover.

Tax for the year totalled £906,000 (£772,000), of which £539,000 (£470,000) was applicable in the UK. Stated earnings per 5p share are up from 6.12p to 7.4p, and the net final dividend of 1.0122p lifts the total 10 per cent from 1.49955p to 1.65909p.

The group acquired the building services division of ITT Services Industries Corporation on November 1, 1978. Trading loss and acquisition loan interest for the first two months' operation amounting to £180,000 has been included in the results.

Mr. Pritchard said a substantial reorganisation of ITT Services had been undertaken to put the company on a sounder footing. He was confident this would allow the company to provide an adequate return on investment in the early years. It would take a year or two to shape up, but after it had settled down the group might consider further U.S. acquisitions.

Final purchase price for ITT Services had not yet been settled.

A £362,000 surplus on revaluation of UK properties has been credited to reserves.

	1978 £000	1977 £000
Turnover	53,383	45,391
Trading profit	3,035	2,683
Interest	516	507
Profit before tax	2,569	2,176
Tax*	906	772
Minorities	74	90
Extraordinary credit	75	†75
Available	1,664	1,239
Dividends	339	316
To reserve	1,325	923

* UK £539,000 (£470,000), overseas £367,000 (£302,000). † Debit.

The directors say fluctuating exchange rates reduced taxable profits by £123,000.

Both in the UK and overseas, companies contributed to profits increase. Including associates, 74 per cent is attributable to the UK and the Republic of Ireland, with the balance from overseas trading.

The group's services continued in essentially the same sectors, building maintenance accounting for 75 per cent of total sales and 63 per cent of operating profit. Other services, including security, camp catering and linen and workwear rental, accounted for the balance.

Mr. Pritchard said the first year of the Riyadh city cleansing joint venture had been successful. The company was investigating a number of other Middle East opportunities, including hospital cleaning contracts.

Commenting on other sectors, Mr. Pritchard said new operations in Spain and Belgium made losses last year but were now in profit. Security services in the UK made a profit against a £90,000 loss and is expected to do better again this year.

• comment

Pritchard is still heavily reliant on the UK and the building maintenance market but, after a first-time contribution of around £100,000, the domestic security division is set to make an increasingly important impact while the linen and workwear hire operation is apparently continuing a 25 per cent annual growth rate. Additionally the Riyadh city cleansing contract is now coming through to associate income which may have been worth over £350,000. But all this may be dwarfed if the ITT Service Industries acquisition for $8m last year exploits the potential that annual sales of some $50m should offer. For the moment, the group's first entry into this important, if highly competitive, market is still barely breaking even and debt servicing costs have helped to trim the overall pre-tax growth rate from 32 to 18 per cent. The shares added 1½p to 46½p where the historic p/e of 6.1 on stated earnings is possibly ignoring a healthy track record and sound prospects. That could change once the Riyadh contribution is properly identified and ITTSI begins to pull its weight, probably next year. The yield is 5.4 per cent but the group would be content, given dividend freedom, to cut the cover from 4.4 to around 2.8 times.

Charterhouse well placed but gives warning of difficult year

In his annual report to shareholders, Mr. G. N. Mobbs, chairman of the Charterhouse Group, says 1979 may prove to be a difficult year with little change in earnings.

However, any upturn in the economy and an improved flow of oil could benefit these results. As an investment and banking group, Charterhouse is well placed to take advantage of new opportunities, the chairman says.

As reported, group profit before tax (excluding the bank, Charterhouse Japhet) was £11.36m for the 15 month period ended December 31 1978 against £6.81m in the previous year. Attributable profit after tax (including the bank) was £7.79m for the 15 months (£5.161m).

The chairman says the group performed well, substantially increasing its profits and holding its gearing to 1:1 while increasing investment in new companies, fixed assets and working capital.

There were satisfactory results during the period from the bank, and development capital activities; good performances by Newage Engineers, Spring Grove Services, Napcolour and Charcon Products and a useful contribution to profit from some of the smaller subsidiaries.

The profit of Glanvill Enthoven was below expectations, being adversely affected by the strength of sterling and the depressed state of the shipping market.

A major U.S. insurance broker, Corroon and Black, which holds a 35 per cent interest in Glanvill Enthoven, has announced its intention to pool its interests with a larger UK insurance broker.

Charterhouse is therefore assessing the future of Glanvills with a view to determining the best long term strategy for the group's insurance broking interests.

The first contribution from the investment in the Thistle oil field was lower than expected because of technical problems associated with bringing oil ashore, says Mr. Mobbs.

However, despite this disappointing flow of oil in 1978 the group remains confident that the investment will continue to be of benefit in the future, and since the year end, a further investment has ben made in Thistle, bringing the group's stake in this field to 3.3 per cent.

Meeting, Great Eastern Hotel, EC, June 26 at noon.

OUTWICH INVESTMENT TRUST—Results for March 31, 1979 year, already known. Investments £44.8m (£38.5m), including £30.12m (£24.9m) in UK. Current assets £2.74m (£1.03m), liabilities £2.39m (£1.12m). Meeting, 88 Leadenhall Street, E.C., June 25 at 2.30 pm.

SECURITIES TRUST OF SCOTLAND—Results for year to March 31, 1979, already reported. Investments at market value, £57.3m (£51.4m). Net current assets, £670,000 (£272,000 net current liabilities). Chairman is confident recent healthy dividend growth will be maintained in current year. Meeting, Edinburgh, June 20.

SPHERE INVESTMENT TRUST—Results for year to March 31, 1979, already reported. Investments, £80.94m (£49.7m). Unrealised surplus, £32m (£23.9m). Meeting, 77 London Wall, E.C., June 28 at 2.45 pm.

TRUST UNION (investment trust)—Results for year ended March 31, 1979, already reported. Listed investments in UK £32.59m (£25.23m), abroad £7.66m (£7.14m), unlisted £762,736 (£397,864). Net current assets £872,190 (£1.29m). Meeting, Winchester House, E.C., June 27 at 2.30 pm.

CARTIERS SUPERFOODS—Results for year ended January 27, 1979, with comments on prospects, already reported. Fixed assets £6.85m (£3.2m). Net current liabilities £872,000 (£670,000). Meeting, Winchester House, E.C., July 12, at 3 pm.

WETTERN BROTHERS (construction materials)—Results for 1978 already known. Group fixed assets £1.33m (£1.36m), net current assets £1.11m (£1.19m). Meeting, Croydon, June 28, 10.30 am.

SCOTTISH NORTHERN INVESTMENT TRUST—Results for March 31, 1979 year reported May 17. Investments at valuation £86.61m (£55.84m), net current liabilities £2.43m (£2.92m). Net asset value per 25p share 153.94p (120.58p). Liquidity increased by £0.68m (£3.85m decrease). Meeting, Aberdeen, June 22, 12.15 pm.

CRYSTALATE (HOLDINGS) (electronic components, plastic mouldings, liquid handling equipment)—Turnover six months to March 31, 1979 £6,667,000 (£3,473,000). Profit £162,000 (£135,000) after tax £236,000 (£122,000). Earnings per share, 1.18p (1.44p).

J. DYKES (HOLDINGS)—Turnover for year to January 31, 1979, £5,387,000 (£4,435,000). Pre-tax profit £24,790 (loss £76,672). Tax credit nil (£3,700). Earnings per share 0.7p. No final, making 0.65p (nil). Board state that as already reported in interim report, profit is arrived at after crediting £111,111 proceeds of settlement of outstanding litigation. Although trading volume was considerably greater than in previous year benefit was frustrated by national industrial strikes.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Albert Fisher ......int.	Nil	—	0.25	—	0.25
Gen. Stockholders‡ int.	1	July 20	—	—	2.3
Jackson Group	2.18	—	1.98	3.63	3.3
Martin Newsagent int.	3.26	July 3	2.84	—	7.37
Pritchard Services ...	1.01	July 20	0.91	1.66	1.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.
‡ In the table last Thursday, this company's name was inadvertently given as Glasgow Stockholders.

Francis Parker up to £0.8m

Francis Parker turned in taxable profits of £790,000 in 1978 on turnover of £19.75m. In the nine months to end-December, 1977, the pre-tax surplus was £34,000 on £15.38m turnover.

Mr. R. K. Francis, chairman, says performance in the first quarter of 1979 was slightly better than last time, despite the bad weather. Prospects therefore remain good, although high interest rates and a downturn in public sector spending may delay the rate of progress in the short term, he says.

After tax for the year of £71,000 (£63,000 credit) net profit came through at £719,000, against £97,000. The extraordinary debit of £346,000 (£205,000) represents provisions to reduce the book value of investments in associated companies.

Continuing the policy of conserving funds, there is no dividend—the last payment was 0.5p net in 1974-75.

The chairman says progress had been made in all areas. However, a 5 per cent increase in interest rates during the year had meant interest charges were virtually unchanged at £1.5m on borrowings down from £10.4m to £7.9m.

Principal activities of the group include aggregates production, manufacture of concrete products and building blocks, shipbroking, and plumbing and heating.

• comment

Francis Parker has lifted profits and cut borrowings, but total debt, at £7.9m, is still well in excess of shareholders' funds and interest charges are only marginally down on an annualised figure of £1.6m in 1977. The group is consolidating activities on its aggregates and concrete product operations, which remains vulnerable to a hard winter, industrial disruption and any cutbacks by Government in public sector spending. Nevertheless, tough conditions at the beginning of the year have been weathered reasonably well and further growth in profits is possible for 1979. The sale of development land should reduce the debt burden further and there is a glimmer of hope for shareholders on the dividend front. The shares edged up to 25½p yesterday where the p/e is 9.1.

Albert Fisher first half downturn

For the half year ended February 28, 1979, pre-tax profits of the Albert Fisher Group fell from £50,518 to £36,195 and the directors are omitting payment of an interim dividend.

After declaring previously an interim dividend of 0.25p, the group finished the 15 months to August 31, 1978, with pre-tax profits well down from £[illegible] to £2,765 and no final dividend was recommended.

Turnover for the half year was down from £2.03m to £1.[illegible] After tax of £18,800 (£26,200) profit was £17,395 compared with £24,318.

Principal activities of the Blackpool-based group are fruit and vegetable wholesaling and motor repairing.

Streeters' move to stay in competition

BY TERRY OGG

THE WITHDRAWAL of Streeters of Godalming from Saudi Arabia has trimmed shareholders' funds by £462,000 and left it dependent on a UK construction industry typified by "fierce competition from which all but the largest constructors are effectively excluded."

This is the pictures painted by Mr. Edward Streeter, the chairman, in a circular to shareholders outlining terms of an agreement whereby the Costain construction and engineering group will gain a 22.5 per cent stake in Streeters. The two companies will also jointly tender for contracts in excess of £5m.

According to Mr. Streeter it became clear, late last year, that the company had to secure a number of large UK contracts in order to lift profitability, that had been hit by problems on Saudi Arabian contracts and wet weather, labour difficulties and a drop in demand.

The board consequently decided to take two steps. The first involved an agreement with Costain to collaborate on civil engineering works while the second gave Streeters a net £285,000 increase in working capital by way of a share issue to Costain.

Mr. Streeter said that the agreement meant that joint tenders will be submitted for contracts exceeding £5m. If a joint tender is successful the two companies will form a joint venture and all matters will be controlled by a supervisory board containing two members of each company.

The financial interests of Costain and Streeters in the contracts vary depending on the tender value. Streeters will have a 60 per cent interest in tenders up to £8m, but will only have a 50 per cent interest in contracts between £8m and £12m.

The arrangements are conditional upon shareholders approving the issue of shares to Costain at an EGM on June [illegible]. If the proposals are agreed certain members of the Streeter family will sell 638,000 shares to Costain, reducing the family interest to around 17 per cent. Costain, with its 22.5 per cent stake, will become the largest shareholder.

A Costain director, Mr. J. Reeve, will be invited to join the Streeters board.

UK COMPANY NEWS

Selincourt makes good start: record year seen

TH SALES for the first rter well ahead of those for same period last year shareholders in Selincourt, the textile garment manufacturer, can forward to a record result 1979-80, Mr. Lionel Leighton, rman, says in his annual rt.

the year ended January 31, group pre-tax profits rose per cent to a peak £4.56m the back of a 13.6 per cent ease in turnover to £61.9m.

r. Leighton says that profits ld have been markedly ler had it not been for the ppointing results in two panies.

anagement changes have been implemented at both these subsidiaries, Taylor rymade and Suede and thercraft, and a major turnd in profitability is now ected from them in the ent year.

uring the year a revaluation the group's properties was ied out which has thrown up rplus of £1.96m.

hareholders' funds now stand £18.08m and the net asset e per ordinary share has eased from 25.8p to 34.7p.

current cost statement shows tax profit reduced to £3.42m r additional depreciation of ,000, additional cost of goods £1.32m and gearing, ,000.

e accounts also show a 000 compensation payment to a director for loss of office.

Meeting, The White House, Albany Street, N.W., June 29 at 11 am.

● comment

Selincourt's shares have been weak ever since the publication of the preliminary figures which fell short of market expectations but the reaction is beginning to look overdone. The chairman had warned at the half-way stage that some outside predictions were aiming too high and the effects of the severe winter plus the drivers' strike probably clipped another £¼m off profits. There was also two troublesome spots—Taylor Merrymade and Suede and Leather which notched up a £300,000 loss. This year Selincourt is looking for a £600,000 turnround so those two operations alone should see the group over £5m pre-tax this year. *Working on net profits* around £3m the earnings ratio is no more than 5 and the yield, on a gross dividend of 2½p, is about 8.8 per cent. The balance-sheet is also looking healthier with borrowings at 59 per cent of shareholders' funds against 65 per cent, though short-term debt is higher—partly reflecting the run up of stocks because of transport problems. The figures aside, a new atmosphere has settled over the directors. Instead of pulling for recovery and debt reduction they are now expansionary. Acquisitions costing £2½m are in the pipe-line and a rights issue is not ruled out.

Laird may decide on arbitration

The Laird Group is "considering going to arbitration" to settle its outstanding compensation claims against the Government, Sir Ian Morrow, the chairman told shareholders at the annual meeting.

Legal advice has been sought but at the moment the view is that no legal action can be taken he said in reply to a shareholder's question.

A further £1m payment on account was announced by the Government *last Friday*, increasing the total paid to £2.5m. Meanwhile, negotiations are continuing "but at a slow pace."

On recent trading Sir Ian said the beginning of 1979 was dominated by poor weather and the road haulage strike, which virtually stopped steel making for one and a half months and replaced steel profits with losses. "However, the rest of the group continued to move ahead and after four months much of the ground lost in steel had been made good by profits elsewhere."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Muirhead, North British Steel, Northern Foods.

Finals: Atkins Brothers (Hosiery), Carless Capel and Leonard, De La Rue, Lilleshall, London Overseas Freighters, Parkland Textile, Scotcros, Sketchley, Sumrie Clothes, Tanks Consolidated Investments.

FUTURE DATES

Interims:—	
Castlefield (Klang) Rubber Est.	June 13
Dobson Park Industries	June 7
Killinghall (Rubber) Devlpmt.	June 13
Romney Trust	June 19
Sidlaw Industries	June 11
Finals:—	
Armitage Shanks	June 6
Associated British Foods	June 11
Braby Leslie	June 14
Charter Consolidated	July 4
Craig & Rose	June 8
Crooper (James)	June 26
Cullen's Stores	June 7
Electric & General Invest.	*June 21
Ferguson Industrial	June 15
Highams	June 6
Racal Electronics	June 21
WGI	June 7
Westbrick Products	June 21

* Amended.

More O'Ferrall confident of expansion

Mr. E. R. More O'Ferrall, chairman of More O'Ferrall, outdoor advertising, looks forward to a *further* improvement in profits in the current year.

He tells members that in the UK and Ireland there is still a high demand for Supersites and despite some hesitancy in the group's French and Belgian operations, business has considerably improved, "and we look forward to a satisfactory return on our investment there during the year."

Queensbury Signs continues to make progress, the chairman states, and satisfactory results are expected in 1979.

And Mr. O'Ferrall is confident of continuing expansion and improvement in revenue and profits from the associate, Adshel.

As reported on May 9 taxable profits for 1978 rose from £840,791 to a record £1.57m on turnover up from £5.99m to £8.23m. The dividend is effectively raised to 4p (3.05426p) net share with Treasury consent. Also proposed is a one-for-three scrip issue.

The directors are proposing at the AGM, to introduce a profit-sharing scheme for employees.

Meeting, Albemarle Street, W., on July 3 at noon.

Silentnight spending up to £4.5m

uring the past trading year, ntnight Holdings continued igorous efforts to increase s and to penetrate new kets both in the UK and seas. In furtherance of these £4.5m was spent on subtial items of capital expendi- says Professor Roland h, the chairman, in his ial statement.

explains that concentration placed upon improving iency and productivity in the pany's factories and developnew designs and products.

the year, the group pleted a £1.5m factory in hley and acquired addil factory premises in on. Further substantial are allocated for producinvestment throughout 1979.

reported April 25—pre-tax ts for the January 27, 1979 rose from £3.23m to a rd £4.12m, on sales of 4m (£38.43m). Profitability he group, which makes beds, lstery and furniture, would been higher but for the bad ber and haulage strike er this year.

However, trading conditions have now returned to a more normal pattern, the chairman states.

A current cost statement shows an inflation adjusted pre-tax profit of £3.37m (£2.54m).

The chairman says the balance sheet reflects the considerable investments in fixed assets and the overall growth in working capital required by the increasing scale of the company. Nevertheless, at the year end total borrowings including overdrafts were at the low level of 21 per cent of shareholders' funds.

A revaluation of properties has shown a £5.6m surplus which has not been incorporated in the balance sheet.

Meeting, Great Eastern Hotel, EC, June 26, noon.

MORGAN CRUCIBLE

Morgan Crucible is holding its board meeting on Thursday to consider the results of the first quarter of 1979, and not the interim statement and dividend as reported in the "Results Due" column last Saturday.

Good first quarter by F. J. C. Lilley

First quarter trading results at F. J. C. Lilley, civil engineering group, had justified the confidence expressed in the annual review, said Mr. James Aitken, chairman at the AGM.

He added that order books continued to be satisfactory.

The group expected to benefit in the current year from recent acquisitions and those in course of making, he stated.

Of the companies currently involved, the acquisition of Z. and W. Wade should be completed this week, and the offer for A.C.E. Machinery should become unconditional by the middle of the month, he said.

CLAY CROSS

The directors of Clay Cross Company have confirmed that the are to repay the company's 7½ per cent Unsecured Loan Stock stock 1986-91, of which £171,690 nominal is outstanding. It will be repaid at par to holders registered June 30, together with accrued interest from January 1, 1979, up to and including the date of repayment.

BIDS and DEALS

Hardy gives its support to new Harris terms

BY TIM DICKSON

Harris Queensway, the carpet retailing and DIY group which is bidding £27m for **Hardy and Co. (Furnishers)**, yesterday won the support of Hardy's directors in exchange for a higher offer.

The move effectively clinches what has been a hotly contested take-over battle although the new Harris terms have not yet been put to the full Hardy Board.

County Bank, which is advising Harris, said last night that details of the new offer have not yet been fully worked out. Hardy's shares, which closed 9p higher last night at 145p against the current bid price of 125p, will be suspended this morning pending further negotiations.

Yesterday's breakthrough comes only a couple of days after Mr. Edward Datnow, Hardy's chairman, formally rejected the Harris bid in a letter to shareholders. He also revealed that he and his family had increased their stake in Hardy from 44.8 per cent to 45.55 per cent.

Harris, meanwhile, has a 49.85 per cent stake in Hardy—only a fraction short of the 50 per cent it needs for control. The Harris holding includes irrevocable acceptances from members of the Slotover family, which includes Mr. Leonard Slotover, Hardy's president, and another director.

Yesterday's agreement also comes just in time to stop the issue of the formal Harris offer document, which was due to be despatched today.

CES BUYING FUR COMPANY

Combined English Stores has agreed to buy **Ronson Fur Service**, a wholesaler and manufacturer of fur, simulated fur, sheepskin and leather garments, for between £1.5m and £2m.

CES says that Ronson will complement and extend similar activities carried on within the group. The main activity of CES is multiple specialist retailing. It owns the Harry Fenton men's wear and Salisbury fashion accessory chains.

Ronson made a profit of £337,000 on turnover of £2.1m in the year to March 31, 1978. The unaudited figures for 1978-79 show profit up to £470,000 on turnover of £2.8m and net tangible assets of £1m.

CES has initially acquired 75 per cent of Ronson for £1.125m. The remaining 25 per cent will be acquired over five years for a minimum of £375,000 and a maximum of £575,000 depending on Ronson's profit performance.

ALBERT MARTIN

Albert Martin Holdings has conditionally agreed to buy **Cooper and Roe**, a private company manufacturing knitted outerwear, leisurewear, underwear and swimwear.

Completion depends on the *satisfactory outcome of an investigation* as to the commercial viability of a reconstruction plan for Cooper and Roe and on its audited accounts as at March 31, 1979.

A further announcement will be made as soon as possible.

Edinburgh Rink offer likely

Edinburgh Ice Rink, the company whose shares were suspended last August, has been approached by parties interested in bidding for the entire capital.

Meanwhile, shareholders have *been told that following a* reduction in the company's liability to Development Land Tax, they could reasonably expect to receive "not less than £1.30 per share and possibly more" in the event of liquidation. *Any excess would depend* on the value of the Ferry Road site.

Writing to shareholders Mr. Ian Dougal, the chairman, reminds them that the assessment to Development Land Tax arising on the sale of the Haymarket site was under appeal. "Agreement has now been reached with the Inland Revenue," he reports, "whereby the original liability which was expected to be in the region of £243,000 has now been reduced to £151,071.

Plans to develop a new ice rink at Ferry Road, Edinburgh, however, have been dropped following the announcement of a scheme by parties independent of Edinburgh Ice Rink to build an extension to an existing rink.

Reed selling Stanger—and timing cuts loss by £10m

BY JAMES BARTHOLOMEW

Reed International is claiming to have saved itself £10m by waiting a year before selling out of Stanger Pulp and Paper, one of its South African subsidiaries.

Reed has agreed to sell Stanger to Sappi, a 58 per cent owned subsidiary of Union Corporation, for R3.5m (£2m). And Reed's loans to Stanger of R9m (£5.2m) are to be converted into Stanger 6 per cent cumulative redeemable preference shares 1980-84 as part of the deal.

Reed will thus receive a total of £7.2m over five years, a consideration which compares very favourably with the price it would have received just over a year ago. It was then that Reed bought out C. G. Smith and Co., its original 50 per cent partner in the venture, for one nominal Rand. Smith also paid Reed £10m for the privilege of getting out.

"*We played well with the bad* cards we were dealt," said Mr. J. Cormie, finance director of Reed, yesterday. Reed had lost on the venture as a whole but had lost £10m less by buying out Smith and waiting a year.

During that year Smith's fears about the future of Stanger had proved unjustified. The technical teething problems had been overcome and the economy of South Africa had shown some recovery.

The effect of the deal on Reed's balance sheet would be to reduce debt by £15m. There would be no need for further write-offs as the losses had been written off as they occurred. Mr. Cormie refused to reveal the accumulated losses.

Union Corporation said yesterday that Sappi's acquisition of Stanger would give it "a modern mill with excellent equipment at a price approximately R20m lower than its book value and at an even greater discount on replacement cost."

According to Union, Stanger should now show a steady improvement in profits and acceptable profitability should *be achieved during 1980, despite* the substantial start-up losses in its first three years ending December 1978.

For Union Corporation, one of the attractions of Stanger is its position as the only South African manufacturer of coated papers. These products have found competition against lower cost imports hard going but Union believes improved world demand has removed this difficulty. It is also possible that further South African import restrictions could radically change Stanger's market position.

POWELL DUFFRYN

Powell Duffryn Timber has acquired from **Pauls Federated Merchants** its Swansea and Bridgend businesses.

The acquisition of these two branches, both of which sell a full range of builders' materials and operate DIY *retail shops* and showrooms, will further consolidate the business of J. D. Lloyd, Powell Duffryn's timber and builders' merchants division in South Wales.

ASSOCIATE DEAL

L. Messel and Co. broker to Harris Queensway bought on behalf of **County Bank**, an associate, 100,000 **Hardy and Co. (Furnishers)** "A" ordinary shares at 110p and 100,000 at 109p.

Plessey sale to U.S. group

Plessey, the electronics group, has agreed to sell its machine tool automation business to Allen Bradley, the U.S. group.

Plessey's numerical control operation employs 75 people in Poole, Dorset. Sales last year were a few million pounds.

Although Plessey has developed its own products for the numerical control of machine tools, it has also been linked to Allen Bradley through licensing and servicing agreements.

Allen Bradley has headquarters in Milwaukee, Wisconsin. In the UK it employs 1,500 people with factories in Bletchley and Jarrow. The terms of the sale have not been disclosed. Last week Plessey announced that it was selling another small part of its business, a printer operation in California.

WHITLOCK

H. B. Pearl, chairman of **Whitlock Corporation**, and William J. Fox, president, have completed the previously announced sale of 250,000 Whitlock shares to **I.C.P. Holdings** for $8 a share, the two companies said. ICP will shortly make a tender offer for the shares held by the public at US$8 each.

● **NEWS ANALYSIS—AURORA BID FOR EDGAR ALLEN**

Attack on fragmentation

BY CHRISTINE MOIR

Aurora's £13m bid for Edgar *Allen Balfour marks an attempt* to rationalise and modernise a section of the special steels industry which has been relatively unaffected by the mergers and take-overs of the past decade. As the Aurora management sees it, the difficulties of this part of the industry — the manufacture of special steel bars—are largely due to its fragmentation; none of the companies have a large enough market share to justify investment in modern, high-output facilities.

The other parts of the Sheffield special steels industry, alloy forgings, super alloy steels and low alloy billets, have been substantially reorganised in recent years and are in the hands of strong companies: Johnson Firth Brown has played a big part in this.

But there are still a large *number of companies producing* steel bars. Aurora's Osborn Steel subsidiary and Edgar Allen Balfour are the two biggest, and the list includes Sanderson Kayser, Firth Vickers, Spartan, Carlisle, Barworth Flockton, R. W. Carr, *Neepsend and others*.

For once, Sheffield seems to be in support of Aurora's move which also has a seal of approval from the investing institutions, seven of which (including the *four which supported Aurora's* acquisition of Samuel Osborn last year) are to be sub-underwriters of the bid.

Behind their support are the grim statistics of an industry which has found itself virtually undefended against the inroads of importers.

Over the past five years or so demand for special steel bars has fallen, while capacity has increased. Current output is *about 60,000 tonnes a year* (against a capacity of 100,000) and the importers' share has risen from around 19 per cent of the market to a total of about 40 per cent.

The figures differ between the different sectors: imports of high speed steel bars have risen from 25 to 36 per cent: in valve steel from 20 to 42 per cent; in tool steel from 26 to 37 per cent; and in stainless from 16 to 45 per cent.

Should Edgar Allen and Aurora combine, Mr. Robert Atkinson, Aurora's chairman, believes that the group would control 35 per cent of the high speed sector and 21 per cent of tool steel.

There would be other advantages, according to Mr. Atkinson, and these claims are supported by other Sheffield steel and engineering groups. Osborn has a good UK distribution network *while Edgar Allen is stronger* overseas especially in Australia.

Osborn has invested substantially in re-rolling and finishing processes while Allen has modernised the primary reduction stage, with the installation of a GFM *long forging press*. The merger should permit a more balanced use of the two companies' facilities and provide the economies of scale which continental competitors, with larger more modern equipment, have achieved.

On the melting side, Mr. Atkinson believes that furnace capacity in the combined group would be adequate but he would like to see at least one large *furnace installed next door to* Allen's reduction shop with its GFM long forging press.

So much for the cross-supports. There would be further industrial logic in other parts of the business, both Osborn and Allen make cutting tools which overlap to a degree. Rationalisation here could come straight through to profit.

Rationalisation, of course, means lost jobs: something to which Sheffield has become very sensitive having seen the sector diminish by 40 per cent (or 5,000 jobs) over the past five years.

Onlookers suggest that Aurora would need to lay off 500 jobs to make the merger work. Mr. Atkinson is adamant that the figure is more likely to be half this and that the shrinking can be done voluntarily after consultation with the work force. Without this co-operation the value of the merger would be doubtful at best.

The bid has still to run its course: Allen's directors were making no comment yesterday beyond advising shareholders to sit tight until their advisers have run through the figures. But Aurora demonstrated last year, when it won control of Osborn after initial opposition, that it is a determined bidder. And in Allen's case there seem to be a lot of restless shareholders.

In one recent three month period some 30 per cent of Allen's equity changed hands. Yesterday morning Aurora's advisers, N. M. Rothschild and Panmure Gordon, conducted a market raid which resulted in Aurora picking up 25 per cent of the equity. Together with its own holding it now has close on 30 per cent and it has institutional backing.

There is still the possibility *of the bid miss-firing but at this* stage it does look, as one Sheffield broker describes it, as if the industry is another step closer to the formation of an integrated independent special steels group which could have the muscle to fight off imports.

OIL AND GAS NEWS

Dome plays down Alberta find

Canada's **Dome Petroleum** says rumours circulating that the company has recently participated in a Western Canada well which discovered a large oil reserve "greatly exaggerate the facts," *reports Robert Gibbens from* Montreal.

Dome, one of Canada's largest oil and gas groups, said "the wells in question are located in the Musreau Lake area of north-west Alberta and to date have *resulted in a marginal* gas well and a high gas-oil ratio oil well which produced 75 barrels of oil per day on test. A third well is now awaiting completion prior to testing."

* * *

Another oil find has been made in the West Pembina region of Alberta, this time by **Getty Oil (Canada)**, the operator, and **BP Canada**.

The Getty BP Pembina 6-12-50-11 W5M well, located about 85 miles south-west of Edmonton, flowed at a rate of 946 barrels of low sulphur oil per day following a 17 hour production test of the Nisku Reef between 9,009 feet and 9,028 feet.

The two companies each have *a 50 per cent interest in the* well and plan to drill an offset well to the north-west of the discovery.

* * *

Canada's Alberta Energy Company has entered into a farm-out arrangement with a consortium of oil companies to drill 67 exploratory wells in Area C of the Suffield Military block in Alberta.

One of six development areas in the 1,000-square-mile range, Area C is approximately 88,060 acres and is located in the south-west portion of the block.

The farm-out is for horizons beneath the shallow gas zones (below 2,200 feet). The company retains a 100 per cent interest in the shallow zones.

The consortium is led by **United Canso Oil and Gas** and includes **Amoco Canada Petroleum, Coseka Resources, Ranger Oil (Canada), Alberta Petroleum Investment Corporation, Star Oil and Gas and Conventures.**

The group has committed to conduct 200 miles of seismic work in addition to the drilling of the 67 wells, to earn a 50 per cent interest.

The exploration programme will commence immediately. The consortium expects to expend C$20m (£8.3m) to earn its interest in the petroleum and *natural gas rights in the deeper zones.*

* * *

The Canadian oil and gas exploration outfit **Chieftain Development** reports record drilling activity for the first three months of 1979.

The company participated in 44 wells of which 14 are gas wells and three encountered encouraging oil shows. As the period ended, *nine wells were* drilling and three were to be evaluated. First quarter drilling and completion activity is expected to make significant contributions to 1979 reserve additions.

Exploration was continued on the company's extensive Hythe-Elmworth properties in north-western Alberta and north-eastern British Columbia. At Hythe, where the company has interests in 12 gas wells, a sub*stantial Doig formation gas well* was drilled.

* * *

Oil production from the off-shore wells near Palawan Island in the Philippines is expected to reach 40,000 barrels a day by July according to the Philippines Energy Ministry.

Production from the three wells is currently about 18,000 barrels a day.

President Marcos told a visiting trade mission from California *that the recent discovery of gas* by Standard Oil (Indiana) subsidiary Amoco in the Central Luzon plains north of Manila indicated the presence of on-shore oil in the Philippines.

MINING NEWS

Agnico-Eagle's rising profit

KENNETH MARSTON, MINING EDITOR

PROFIT outlook for 1979 ...eed highly encouraging" ...anada's gold and silver-...cing Agnico-Eagle Mines, the chairman, Mr. Paul ... in the latest annual ... Production of both ... is being increased and the ...quarter's net income has ...ted to C$1.18m (£492,600).

... year Agnico-Eagle paid a ...ividend of 10 cents (U.S.) ...f total net income of ...m, or 19 cents per share, followed a net loss in 1977 ...61,361. Production in 1978 ...ted to 63,157 ounces of ...nd 268,208 ounces of silver. ...espective average metal ... per ounce were C$281 and ... they are currently ... C$320 and C$9.90.

... year's average production ...of gold at the Joutel, ...e, mine equalled C$116. ... are expected to show a ...ate increase in 1979, but ...ill be more than offset by ...ed gold production—it ...ts to 22,046 ounces for the ...ur months—as a result of ...led milling facilities and ... grade ore from the new levels of the mine.

... long-range underground ...ation and development ...mme continues at the ...-Temiskaming project at ...obalt Camp silver opera-...n Ontario. Apart from the ...all mines already covered ...oject now takes in the ...Frethewey mine at ...oda and the Langis and ...a Miller properties in ...and Harris townships.

...hese former producers, it ...articular interest to note ...like many Cobalt area ... producers, Castle-...wey and Langis had by-...t recovery of cobalt which ... much in demand.

...ng now survived the lean ...nd justified Paul Penna's ...n gold, Agnico-Eagle has ...ted its bank indebtedness ... end-1978 had working ... of C$5.85m compared ...only C$159,000 a year ...sly.

...nding on the amount of ...equired for any new ven-... a good increase in the ...d seems on the cards for ...ar. The shares are around

...HER METAL ...CES CALL

...ing to a shareholder's ...n at the recent meeting ...ndon's Selection Trust mining group the chairman, Mr. John Du Cane, said that higher prices for copper, nickel and zinc would be needed to bring in production of new supplies of those metals.

In the case of nickel a stable producer price of around $3 a pound was needed. Current lead prices would justify new developments, especially the Mississippi-type high grade operations. But as lead production is linked with that of zinc, better prices of the latter would be required.

For copper Mr. Du Cane suggested that a price of U.S.$1.50 a pound would be required to produce a suitable return on investment in new mining ventures such as the Cerro Colorado project in Panama which could cost between $1.5bn and $2bn.

CRA will hold 82% Hamersley

CONZINC RIOTINTO OF AUSTRALIA has no plans to buy out the minority shareholders in Hamersley Holdings, the Western Australian iron producer, following its acquisition of a fresh stake in the venture which brings its shareholding up to 82.3 per cent.

This was made clear yesterday in a formal announcement setting out the agreement in principle for CRA to buy from Kaiser Steel of the U.S. the latter's 28.3 per cent stake in Hamersley for $207.5m (£100m). The deal remains subject to board approval on both sides and the sanction of the Australian Government.

The transaction between CRA and Kaiser values Hamersley at A$662m (£353m). This is slightly above the valuation put on the company by the current price of Hamersley shares in Australia of A$2.70.

The public shareholding in Hamersley remains at 11.5 per cent. The balance of shares—6.2 per cent—is held by Japanese corporations. There is no indication that these percentages will be changed in the immediate future. An RTZ spokesman said yesterday that it was most unlikely that CRA would offer any of its newly acquired stake to the Australian public.

In London yesterday, CRA shares, inclusive of the premium, were 5p lower at 228p.

Malaysian tin deal

KUMPULAN PERANGSANG SELANGOR (KPS), the mining agency of the Selangor state Government in Malaysia, has signed an agreement with Guinnes Peat of London for the marketing of tin produced by KPS and its affiliates, writes Wong Sulong in Kuala Lumpur.

This is the second marketing agreement to by-pass the Penang tin smelters. Last September Malaysia Mining Corporation entered into a contract with Anglo Chemical, the Philipp Brothers subsidiary, to sell tin independently.

The arrangement between KPs and Guinness Peat provides for the establishment of a joint company called Perangsang Metal Selangor in which KPS will hold 70 per cent. The new company will buy tin from KPS and its affiliates at the prevailing Penang price.

Until Perangsang Metal builds up a staff of competent personnel, the marketing will be handled by Wilson, Smithett and Copé, a Guinness Peat subsidiary.

The KPS group can supply about 3,000 tonnes of tin annually, equivalent to about 5 per cent of total Malaysian production. According to Datuk Hormat Rafai, the Chief Minister of Selangor, the group's output will nearly double by 1983.

The expanded output excludes potential production from the Kuala Langat field, which has the world's largest proven tin deposits. KPS is negotiating with Charter Consolidated of London for a joint venture to develop the deposits.

Falconbridge dividend

FOLLOWING THE return to prosperity of Canada's Falconbridge Nickel in the first quarter with a record net profit of C$21.2m (£9m), the major nickel and copper producer announces a resumption of dividends.

It is to pay a dividend of C$1 on June 29 to shareholders of record on June 15. The last distribution was of 50 cents for 1977 which followed C$1 for 1976.

NIGERIA MERCHANT BANK SALE

United Dominions Trust's wholly-owned subsidiary company, UDT International has sold its 40 per cent interest in The Nigeria Merchant Bank to The United Bank for Africa. The sale proceeds when remitted to the UK are expected to be about £500,000.

De Vere to maintain momentum

TRADING FOR the current year at De Vere Hotels and Restaurants has got off to a good start, says Mr. Leopold Muller, the chairman.

"I believe that the momentum we have created in the past two years will be maintained and that we shall be able to look back on 1979 with satisfaction," he tells members in his annual statement.

Taxable profits rose more than 44 per cent from £1.52m to a record £2.21m for 1978, on turnover of £18.2m (£16.1m)—as reported April 6.

As previously, no depreciation is provided on freehold buildings and leaseholds which have unexpired terms of more than 24 years, and in this respect the accounts do not comply with SSAP 12. The auditors say it is not practicable to determine the amount of the depreciation charge for the year required by this accounting standard.

The chairman explains that he confidently anticipates that the growth in the value of the group's freehold and long-leasehold properties will significantly outstrip the rate of inflation, which will have the effect of increasing its net asset backing—currently in excess of £3 for each ordinary 25p share. For this reason, therefore, the Board does not fel that SSAP 12 is applicable to the company.

Mr. Muller reports that cash resources available for expansion are at a record level, despite the repayment during the year on favourable terms of a long-term loan.

Meeting, Connaught Rooams, WC, June 27, noon.

Ecclesiastical Insurance £1.4m profit

A turnoround to profitable underwriting in the year to February 28, 1979, and higher investment income resulted in pre-tax profits of the Ecclesiastical Insurance Office rising by one-third from £1.1m to £1.4m.

Despite the severe winter, when £40,000 was paid out in claims in January and February, an underwriting profit of £22,000 was achieved, against a loss of £160,000 in the previous year.

Investment income, boosted by the proceeds of the preference issue, advanced by nearly 30 per cent to £1.3m, but realised investment profits were only £107,000 against £342,000 previously.

The improved trading position enabled the company to increase the amounts paid annually under covenant for Church purposes. A sum of £275,000 was made in grants for the year under review compared with £250,000 for the previous year. Profit after tax amounted to £649,000 compared with £408,000.

Premium income on the life assurance fund during the year jumped by 30 per cent from £2.9m to £3.6m and investment income by 16 per cent from £1m to £1.2m. Claim payments were nearly 20 per cent higher at £1m and the life assurance fund stood at £13.9m at the end of the period compared with £12.1m at the beginning.

On the life fund there was about £1.75m available for investment over the period of which two-thirds was invested in gilts and the remainder in equities. The company was disappointed that there was a lack of suitably-priced property investments.

IN BRIEF

KEYSER ULLMANN HOLDINGS—Results for year to March 31, 1978, already reported. Current, deposit, etc., accounts, £186.03m (£177.05m). Acceptances, £16m (£10.2m). Cash, balances, at call and at short notice, £26.86m (£21.6m). Short-term deposits, £38.4m (£32.2m). Advances, debtors and other accounts less bad and doubtful debts, £134.36m (£129.41m). Prudential Assurance holds 17.08 per cent of issued ordinary and English Property Corporation, 9.94 per cent. Meeting, 25 Milk Street, E.C., June 28 at noon.

SEARS ENGINEERING (subsidiary of Sears Holdings)—Turnover for 1978 £185.28m (£159.36m) and loss £65,000 (£492,000) after interest £3.43m (£2.16m) and exceptional item £761,000. Fixed assets £34.43m (£32.66m), current assets £118.07m (£104.48m) and liabilities £86.34m (£74.15m). Increase in working capital £11.19m (£11.91m). Meeting, 40 Duke Street, W., June 26 at 11.15 am.

BRITISH SHOE CORPORATION (subsidiary of Sears Holdings)—Turnover year ended January 31, 1979 (£541.92m (£460.96m) and profit £77.67m (£58.89m) before tax. Fixed assets £333.38m (£338.57m), current assets £135.69m (£124.45m) and liabilities £93.53m (£83.44m). Increase in working capital £1.06m (£6.78m). Meeting, 40 Duke Street, W., June 26 at 11.10 am.

BLOCKLEYS (facing bricks)—Results for 1978 reported May 4. Fixed assets £1.31m (£1.41m) and net current assets £1.24m (£1.04m). Decrease in net liquid funds £103,548 (£38,980). First half of current year will be affected by severe weather, but an improvement in trade should materialise. Meeting, Telford June 26, noon.

ALLIED LEATHER INDUSTRIES—Results for 1978 already reported. Fixed assets, £3.74m (£3.4m). Net current assets, £2.57m (£1.9m). Chairman says trading combining satisfactorily in current year. Company is "close." Meeting, Grosvenor Victoria Hotel, S.W. June 26 at noon.

P. C. HENDERSON GROUP (sliding door gear, industrial and fire doors)—Results for year to March 3, 1979, already reported. Fixed assets, £4.73m (£3.18m). Net current assets, £3.92m (£3.58m). Meeting, Winchester House, June 23 at 12.15 pm.

NINETEEN TWENTY-EIGHT INVESTMENT TRUST—Results for March 31, 1979, already known. Listed UK investments £30.32m (£23.76m), overseas £11.08m (£11.88m), unlisted £635,010 (£580,891). Current assets, £1.17m (£1.65m), liabilities £1.18m (£980,761). Meeting, 8 Waterloo Place, S.W., June 28, 2.45 pm.

COMPANY NOTICES

EUROPEAN FERRIES LIMITED (CDRs)

The undersigned announces that the Annual Report (year ended December 31, 1978) of European Ferries Limited will be available in Amsterdam at

Algemene Bank Nederland N.V., Amsterdam-Rotterdam Bank N.V.,

Bank Mees & Hope N.V., Pierson, Heldring & Pierson N.V.

Kas-Associate N.V.

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, 25th May, 1979

MAKITA ELECTRIC WORKS LTD. (CDRs)

The undersigned announces that as from June 14th 1979 at Kas-Associatie N.V., Spuistraat 172, Amsterdam, div. cp. no. 17 (accomp. by an "Affidavit") of the CDR's Makita Electric Works Ltd., will be payable with Dfls 2.04 net per CDR, repr. 50 shs and Dfls. 40.80 per CDR, repr. 1,000 shs. (div. per record-date 2.20.79: gross Y5.— p. sh.) after deduction of 15% Japanese tax = Yen 37.50 = Dfl. —.36 per CDR, repr. 50 shs. and Yen 750.— = Dfls. 7.20 per CDR, repr. 1,000 shs.

Without an Affidavit 20% Jap. tax (= Yen 50.— = Dfls. —.48 p. CDR repr. 50 shs. and Yen 1,000.— = Dfls. 9.60 p. CDR, repr. 1,000 shs.) will be deducted.

After 9.20 79 the div. will only be paid under deduction of 20% Jap. tax with Dfls. 1.92 net per CDR repr. 50 shs. and Dfls. 38.40 net per CDR repr. 1,000 shs., in accordance with the Japanese tax regulations.

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, 25th May, 1979.

STAR EUROPEAN FINANCE N.V.
FF 100,000,000. LOAN 8%—1973/1988

Bondholders are hereby informed that second instalment of amortisation due June 15 1979 amounting to FF 6,000,000.— has been entirely effected by repurchase on the market.

The Fiscal Agent
CREDIT LYONNAIS—LUXEMBOURG

Notice to Bondholders
F. L. SMIDTH & CO. A/S
U.S.$20,000,000 9½ PER CENT BONDS DUE 1988

Bondholders are hereby notified that the Annual Report and Accounts for the year ended December 31st, 1978, of F. L. Smidth & Co. A/S are available at the office of The Chase Manhattan Bank, N.A., Corporate Trust Department, Woolgate House, Coleman Street, London EC2P 2HD.

THE CHASE MANHATTAN BANK, N.A., London
Principal Paying Agent
Dated June 1979.

GADEK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the half yearly interest of 10 per centum per annum will be paid on 30th June, 1979 to debenture holders on the register of members at the close of business on 21st June 1979.

By Order of the Board
OH KIM SUN
LEE HAU HIAN
(Secretaries)

Ladang Pinji,
Lanat, Malaysia.
4th June, 1979.

LEGAL NOTICES

THE COMPANIES ACT, 1948

In the Matter of CHISWICK QUAY MARINE SERVICES LIMITED formerly AINGCROFT LIMITED, Hirers, repairers and dealers in ships boats. Winding-up Order made 30th April 1979. Date and place of first meetings: Creditors 19th June 1979, at 239 Templar House, 81 High Holborn, London WC1V 6LP, at 2.00 o'clock; Contributories on the same day and at the same place at 2.30 o'clock.

L. R. BATES,
Official Receiver and Provisional Liquidator.

ART GALLERIES

HAMILTONS, 13, Carlos Place, Nr. Grosvenor Sq., W.1. 499 9493-4. Important exhibition of the French late Impressionist painter Marcel Vertes, including oils, watercolours, drawings and lithographs.

LEFEVRE GALLERY. CONTEMPORARY PAINTINGS. Weekdays 10-5. Sats. 10-1. At 30, Bruton Street, London, W.1. Tel. 01-493 1572.

MARLBOROUGH, 6, Albemarle St., W.1. SIDNEY NOLAN. Selected works and new graphics. Mon.-Fri. 10-5.30. Sat. 10-12.30.

OMELL GALLERIES, 40, Albemarle St., Piccadilly, W.1. New selection of fine modern French paintings including Blanchard, Chotlous, Deschamps, Delin, Grosot, Herve, Jacob, Pesset, Robin, etc., also fine modern British marine paintings and watercolours.

OMELL GALLERIES, 22, Bury Street, St. James's, S.W.1. 19th CENTURY ENGLISH AND CONTINENTAL OIL-PAINTINGS. Our current stock comprises over five hundred selected works with prices from £400 to £2,000. For further details phone 01-839 4274-5.

CLUBS

EVE, 189, Regent Street. 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows 10.45, 12.45 and 1.45 and music of Johnny Hawkesworth & Friends.

GARGOYLE, 69 Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW "AS YOU LIKE IT" 11-3.30 am. Shows at Midnight and 1 am Mon.-Fri. Closed Saturdays. 01-437 6455

ART GALLERIES

THACKERAY GALLERY, 18, Thackeray St., Kensington Sq., W.8. 01-937 5883. LESLIE PROTHERO. Until 15 June.

LUMLEY CAZALET, 24, Davies St., W.1. 01-499 5058. AKIRA KUROSAKI—Recent Woodcuts. Until 27 July

THE PARKER GALLERY, 2, Albemarle Street, Piccadilly, W.1. Exhibition of old Marine, Military and Sporting and Topographical Prints and Paintings and Ships Models.

MALL GALLERIES, The Mall, S.W.1. Society of Graphic Artists. Mon.-Fri. 10-5, Sats. 10-1. Until June 15. Adm. 20p.

JPL FINE ARTS, 24, Davies St., London, W.1. 01-493 2630. PIERRE BONNARD DRAWINGS. May 29-July 5. Mon.-Fri. 10-6.

APPOINTMENTS

S. G. Warburg executive director

Mr. J. R. Sanders has been elected an executive director of S. G. WARBURG AND COMPANY.

★

Mr. Stephen Maran has been appointed director of finance of LLOYDS AND SCOTTISH and will be based at group headquarters in London. He was previously director of credit of Lloyds and Scottish Finance. Mr. Colin Harrison, Mr. Gordon Rycroft and Mr. Nigel Turnbull have joined the Board of Lloyds and Scottish Finance.

★

Mr. Stephen S. Clarke, a director of Charterhouse Development, has been appointed to the board of NELSON HURST AND MARSH

Mr. Stephen Clarke

(HOLDINGS), the Lloyd's *broking group in which* Charterhouse Development Capital has recently acquired a minority interest.

★

Mr. K. C. B. Mackenzie has been elected to the Board of BOND STREET FABRICS and has been appointed chairman. Mr. Mackenzie is to retire as deputy chairman and from the Board of British Home Stores on June 27.

★

Mr. Lionel Savery is resigning as personnel director of IPC MAGAZINES for personal reasons and will be leaving the company in August.

★

Mr. F. W. Stevens has been appointed chairman of MYER EUROPEAN BUYING, a subsidiary of Myer Emporium of Australia. Mr. G. W. Gallimore has been elected managing director.

★

Two senior appointments have been made in the secretariat of NORTH WEST GAS. Lieutenant-Colonel Edward Hibbert has been appointed senior assistant secretary (administration) and Mr. Clive Taylor, senior assistant secretary (property). Each will head his own section within the secretariat.

★

Mr. Gavin Boyd has resigned as a director of STENHOUSE HOLDINGS at his own request because of increasing pressure of other commitments.

★

Mr. P. Butler has been appointed the executive director responsible for the North American aviation division of STEWART WRIGHTSON. By mutual agreement, Mr. J. Bowden has been released by the company from his contract of service to take up another position and he will be resigning from his directorships and all his appointments within the Stewart Wrightson Group.

★

ALEXANDER HOWDEN UNDERWRITING states that Mr. J. G. Thorpe, who was previously deputy underwriter to marine syndicates 696 and 697, has been appointed underwriter following the resignation of Mr. P. M. Salt. Mr. D. B. Hepworth has joined the syndicates as deputy underwriter.

★

Mr. A. O. Cox, chairman of Todd-Rixton (Steels) and formerly with British Steel Corporation has been appointed chairman of JOHN ORMEROD AND SONS.

★

Mr. S. R. Stephens has been appointed a director of PROVINCIAL CITIES TRUST.

★

Mr. H. G. Buck has been appointed chairman of STAR OFFSHORE SERVICES. He succeeds Mr. G. W. Searle, who is to retire this year.

★

Mr. Peter D. Holroyd-Smith, at present commercial director of CONSOLIDATED SAFEGUARDS, has been appointed joint managing director.

★

Mr. R. H. K. Seelig has been appointed to the board of MORGAN GRENFELL AND CO.

★

Mr. Michael J. D. Church has been made managing director of CROWN CENTRAL INTERNATIONAL (UK), a subsidiary of Crown Central Petroleum Corporation. Mr. Church was general manager of the London office until the end of March this year.

★

Mr Graham Haywood has been appointed executive director of HOVERINGHAM HOWARD, Lloyd's Brokers.

★

Mr. Ron Applegate has joined TRIPLEPLAS MACHINERY SALES as southern area manager.

★

Mr. Peter W. G. Tom has been appointed deputy chairman of the BARDON HILL GROUP. In addition, Mr. Tom and Mr. David J. Manchip have become joint managing directors of BARDON HILL QUARRIES (LONDON) and Mr. S. Fred Wapples has been made managing director of STEER PLANT HIRE.

★

Mr. Peter R. Francis has been elected to succeed Mr. Kenneth J. Burton as chairman of the ASSOCIATION OF CONSULTING ACTUARIES.

★

PROCTER AND GAMBLE has made the following Board appointments: Mr. B. J. Hintz becomes deputy managing director, and Mr. T. J. Mason director of advertising on July 1.

★

Mr. Noel Newman has been appointed managing director of ASR SERVOTRON MANUFACTURING, part of the ASR Servotron Group. On taking up his appointment, Mr. Newman was simultaneously appointed director of the Board of ASR Servotron of Congleton, Cheshire.

★

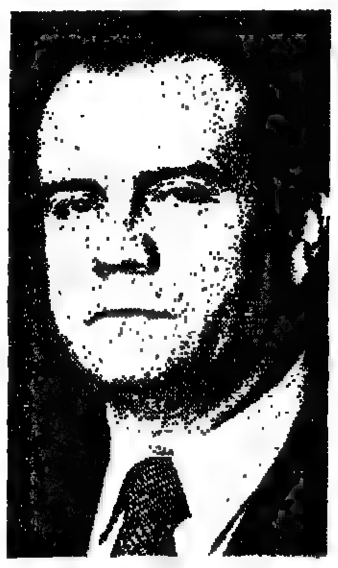
Mr. Jack S. Defries has joined GREENE AND CO., stockbrokers, as an associate member.

★

Mr. J. Robert A. C. Clement has been appointed a vice-president in CITIBANK'S world corporation group. Mr. Clement, who is based in London, works in the group's Europe, Middle East and Africa division. Mr. Otto W. van der Wyck has been appointed a vice-president of CITICORP INTERNATIONAL BANK. Based in London, he is responsible for developing the bank's corporate finance business in Europe.

★

Mr. David R. Sinigaglia has been appointed group managing director of AIRFIX INDUSTRIES. Consequently the group's two operating divisions will now be amalgamated under Mr. Sinigaglia's authority. Mr. John A. S. Gray, having reached the age of 59, and in anticipation of retirement, will remain on the



Mr. David Sinigaglia

board with special responsibility for new product development. The following appointments to subsidiary boards have been made: Mr. Ray McNeice, managing director, Meccano; Mr. Richard Fensome, managing director, Airfix Plastics/Crayonne; Mr. Frank Wheel[...] managing director, Airfix Fo[...] wear; and Mr. Robert Wils[...] managing director, TAL Imp[...]

★

Mr. Kenneth C. Ford has be[...] appointed an additional estat[...] surveyor with the SCOTTIS[...] METROPOLITAN PROPERT[...] COMPANY.

★

Mr. James Prior, Secretary [...] State for Employment, has [...] constituted the PETROLEU[...] INDUSTRY TRAINING BOAR[...] for a further three years. [...] has reappointed Mr. E. Choppen as chairman and h[...] named 14 other members. The[...] include five new members: [...] E. W. Allsop, Mr. R. R. Butler, Mr. M. S. Heffernan, [...] W. Pritchard and Mr. W. Simpkins. One employee memb[...] and one educational memb[...] have still to be appointed.

★

Lord Remnant, joint managi[...] director of Touche, Remnant a[...] Company, has been appoin[...] chairman of the BANK [...] SCOTLAND'S London lo[...] Board in succession to the [...] Lord Allan of Kilmahew.

★

New director of the Scott[...] Federation of Housing Asso[...]tions is Mr. Jim Sillars, MP [...] South Ayrshire from 1970 u[...] this year. The SFHA prom[...] the voluntary housing movem[...] in Scotland representing m[...] than 140 associations devoted [...] the provision of better hous[...]

Mr. Sillars, who is 41, co[...] from Ayr. Before becoming [...] MP he was head of the Organ[...]tion and Social Services Dep[...]ment at the Scottish TUC.

★

New president and officers [...] the Birmingham Chamber [...] Industry and Commerce ele[...] today are: president, Mr. J. [...] Brown; vice-presidents, Mr. David Owen, Mr. J. A. Bl[...] treasurer, Mr. N. R. Gillott.

Mr. J. L. Brown was form[...] chairman and managing di[...]tor of the Birmingham Post [...] Mail. He is a director of [...] Holdings and was the Presi[...] of the Newspaper Society [...] 1976-77.

Mr. A. D. Owen is chair[...] and group managing directo[...] Rubery Owen Holdings.

Mr. J. A. Black is a for[...] honorary treasurer of the Ch[...]ber and will also be electe[...] vice-president.

He is chairman of Ch[...] Barker, Black and Gross, [...] Birmingham advertising ag[...]

Tanker shortage forecast

OIL TANKER construction should increase significantly by 1982, prompted by the improvement in world tanker demand/supply balance underway and a recovery in freight rates between now and the early 1980s, said Terminal Operators.

Terminal Operators, the independent research and consultancy arm of the Eggar Forrester Shipping Group, said, however, it seems unlikely freight rates will rise sufficiently in the period up to 1982 to cover fully current and capital costs.

New building of large carriers will consequently fall short of mid-1980 requirements, giving rise to the prospect of a boom market in 1982-85.

Terminal Operators estimates a point of near balance for crude carriers may be reached in 1982 when the surplus falls to about 1.9m deadweight tonnes from the 1978 figure of 102.3m tonnes, while product carriers are likely to be in deficit by around 15.1m tonnes.

The crude carrier fleet is projected to fall to 312.5m tonnes in 1982 from 328.1m tonnes in 1978, taking into account known new building and likely scrappage rates. The product carrier fleet is projected to fall to 18.5m tonnes from 22.1m tonnes.

International trade in crude oil is forecast to grow by 5.7 per cent per annum up to 1982 to 2,019m tonnes, while products trade is forecast to rise 4 per cent per annum to 395m tonnes.

A.N. AND WHITE MOTOR

Both sides return to square one

BY DAVID LASCELLES IN NEW YORK

COLLAPSE over the d of the proposed trans- link-up between White of the U.S. and MAN st Germany puts both ies back to square one quest for new products arkets in the U.S. And s in New York were ting that the reasons for llapse must have been since the deal would have strengthened the ick makers' positions in America.

possibility of a deal first d last October, when nnounced plans to buy a r cent stake in White 6m. In exchange, White market MAN trucks in America, and later le them, using MAN and de components.

plan was logical. White based in Eastlake, Ohio, weakest of the big seven rry makers. With only 7 t of the market, it com- against such giants as eneral Motors, Mack and tional Harvester. It also rs the burden of past s. With debts of nearly annual interest charges large bite out of earn- a result, White has not solid profit for years. s not paid a dividend e first quarter of 1975.

e's strength is in the Eight truck market lbs and over). But this only class in which all major manufacturers compete.

The market is also 95 per cent saturated with diesel as opposed to gasoline power, and offers little scope for expansion of the diesel-powered trucks in which White specialises.

On the other hand, White has modern plant, good expertise and an extensive distributor and servicing network. Its long-term strategy is to expand into the Class Six truck market (19,501 to 26,000 lb) which is burgeoning with the trend to smaller, more efficient vehicles. Furthermore, only 10 per cent of this market is diesel-powered, offering big scope for expansion.

But, handicapped by its lack of money, White needed a partner to move forward. Indeed, it had already sought a tie-up with Daimler-Benz, MAN's arch-rival.

MAN, a subsidiary of Gutehoffnungshuette, the West German engineering giant, seemed ideal. Like many large European lorry concerns, it wanted to expand into the promising U.S. market, and was prepared to invest big sums to do so. MAN also had the expertise in the smaller truck technology that White wanted to develop. So, a link-up would give MAN a springboard into the U.S. market, and White the money and technology it wanted.

The two companies' enthusiasm for the deal became evident three months later in February, when they announced that MAN would take a majority stake in White, at a cost of $77m, effectively increasing its commitment fivefold.

But when it came to studying the nuts and bolts of the agreement, top executives from both sides evidently began to see snags. In recent weeks, White took some trouble to stress to the press that the deal had only been proposed, not concluded. Finally, this weekend, at a top-level meeting in Eastlake, the two companies decided to call it off.

The reason given in the official announcement was that the "synergistic benefits" would be less than thought. In other words, the deal would not lift the two companies on to a higher plane than they could reach by themselves. So, it was scrapped.

For White, the collapse leaves it with its old problems, though its financial position could be said to be slightly better than a year ago. In the first quarter it made a net profit of $6.7m or 78 cents a share against a loss of $7.5m or 94 cents in the same period last year. But it is unlikely to abandon its quest for a partner.

For MAN, the collapse must mark a serious setback to its plans to enter the U.S. market. Had the deal gone through, MAN would have had an edge on its European competitors. Now, it will probably fall behind them. Mercedes Benz expects to open a $6[illegible] assembly plant in Virginia next year. Renault is taking a 20 per cent stake in Mack Trucks, and Iveco, the Fiat-KHD joint venture, is in the process of assembling a dealer network.

THE COLLAPSE of the deal is a potential embarrassment to the financing plans of both MAN and its parent company, GHH, our Financial Staff writes. Between them the two groups had planned to ask shareholders for nearly DM 375m ($195m) in order to go ahead with the link with White Motor.

GHH planned a one-for-seven issue at DM 160 a share in order to subscribe new capital for subsidiaries. MAN, which is 75 per cent controlled by GHH, opted a one-for-five issue at DM 142.5 a share.

It may not be too late for the two companies to abandon their proposals. But whether they will want to is another matter. At the time of its rights announcement, GHH declared that, as well as financing MAN, it wanted to be in a position to take advantage of acquisition possibilities.

Citibank adjusts lending rate formula

NEW YORK—Citibank has made an adjustment to the formula it uses in setting its base lending rate or prime rate. The adjustment was made to "try and bring the base rate formula into line with actual money cost trends."

Citibank's formula now calls for adding 150 basis points to the three-week moving average of the 90-day secondary market rate for negotiable certificates of deposit. The bank had been adding 125 basis points to arrive at its base rate.

The calculations are based on weekly averages reported by the Federal Reserve Bank of New York each Wednesday.

Under the new formula, a base rate of 11.65 per cent is called for. But Citibank moves its rate in quarter point increments. Thus, the Bank held its prime rate unchanged at 11¾ per cent last Friday.

Reuter

CPI in $217m property bid

TORONTO — Marathon Realty Company, a unit of Canadian Pacific Investments, has made a proposal to acquire General Growth Properties by way of a cash merger at U.S.$35 a General Growth share. Canadian Pacific Investments is 82 per cent owned by Canadian Pacific of Montreal.

Marathon said the aggregate purchase price for 6.2m outstanding shares of General Growth is about U.S.$217m.

Following news of the offer, General Growth Properties postponed its annual meeting, originally scheduled for June 19.

General Growth said that any agreement between it and Marathon Realty would be subject to the approval of trustees of General Growth and also the approval of two-thirds of its outstanding shares.

The company added that it is providing Marathon Realty with information requested by that company for a business review of General Growth's operating.

AP-DJ

INVESTMENT IN MEXICO

Foreign interest revived

BY WILLIAM CHISLETT IN MEXICO CITY

THE HOPE that rising oil revenues will fuel an economic boom in Mexico has inspired a sharp increase in the rate of foreign investment.

Overseas investors had been largely keeping out of Mexico since the devaluation of the peso in 1976.

But the economic outlook has now greatly improved and the country's oil wealth offers the prospect of rapid industrial expansion. Gross domestic product is forecast to increase at 7 per cent this year, and investors are almost falling over themselves to establish joint ventures.

Just as foreign bankers are queuing up to offer credit to a Government whose already high international rating seems to rise higher with every new oil find, so also are foreign investors, previously critical of Mexico's investment controls, now accepting the same terms with far less disapproval.

The Foreign Investment and Technology Committee estimates that this year new foreign investment will rise by 70 per cent to $653m and that in 1982 it could be more than $1.5bn. There are 260 foreign investment projects under review.

But, far from welcoming all foreign investment, the Government is vetting all potential investors and selecting only those which it considers will benefit the country's development plans.

Since the nationalisation of the petroleum industry, when most foreign companies pulled out of Mexico for a time, the Government's attitude to anything "foreign" has bordered on the xenophobic. Foreign as well as Mexican private enterprise is excluded from petroleum, basic petrochemicals, railways, postal services and radioactive minerals, all of which are exclusively reserved for State interests.

"What is the use of a chain of fried chicken restaurants to the development of Mexico?" asked Sr. Armando Munoz Ocariz, a sub-director of the Committee. "We are looking for foreign investment in our priority sectors — technology which we cannot develop ourselves, capital goods, tourism and agro-industry."

Traditionally, foreign investment has been centred around electrical products, food processing, pharmaceuticals and cars. There are no restrictions on remittance of profits and repatriation of capital.

Mexico's economic outlook has now greatly improved, and with the country's oil wealth offering the prospect of rapid industrial expansion, investors are almost falling over themselves to establish joint ventures

The Government is prepared to relax the 1973 Investment Law which limits foreign investors to 49 per cent ownership and allows up to 100 per cent ownership in priority sectors.

The three main factors taken into account when considering permission for a joint venture or a wholly-foreign owned company are: how many new jobs will be created by the project, whether or not it will generate exports and whereabouts in the country it will be situated.

Decentralisation and increasing employment are key factors in the national Industrial Development Plan. Mexico City, with a population of 14m, is reaching bursting point, and unemployment and under-employment are estimated at more than 40 per cent of the workforce. New industrial centres are to be created around the country.

Foreign firms meeting these three requirements and also agreeing to a "programme of Mexicanisation" will be able to enjoy the 25 per cent tax credits and 30 per cent cheaper electricity, natural gas and fuel oil that are made available to Mexican companies.

Mexicanisation, for those firms allowed to establish themselves with 100 per cent foreign ownership, would be "very realistic" and would only occur after such companies were well established said Sr. Ocarez. Not all companies would have to Mexicanise.

"Mexicanisation is not an end in itself," he said. "It is not that we hate foreigners, but we want to see them respond to the priorities of our development. We can be flexible."

However, some countries, notably Japan, complain that the Government is paying only lip service to its insistence that the investment law is flexible.

Sr. Munoz Ocariz said that the Government was not holding out a false carrot in saying that in some cases 100 per cent ownership would be allowed. A German tourist company, for example, was recently established with 100 per cent foreign capital.

The U.S. share of foreign investment has been declining in the past few years as other countries have increased their interest.

According to the Investment Committee, total U.S. cumulative investment at the end of 1978 was $4.2bn, which is 70 per cent of the total. Sweden has $331m invested, Japan $289m and Britain $216m.

exaco raises spending budget

orated has raised its 1979 and exploratory spending by about $150m from previously-authorised , with most of the e to be spent in the half.

company said that about of the increase will be w projects, with about of that total for the U.S. U.S. spending this year budgeted at over $1bn, said.

$80m of the $125m in oject investments will be ploration and production of crude oil and natural gas, worldwide, and over $60m will be for U.S. exploration and production.

The company said the rest of the new project investments will be in "manufacturing, transportation and marketing projects for bringing petroleum products to the market place."

About $16m of these downstream investments will be for engineering and early preliminary expenditures for new U.S. manufacturing facilities.

Texaco said "if the economic climate proves to be attractive," the $16m in U.S. new project manufacturing spending could "result in very major investments designed to expand Texaco's domestic capability for manufacturing lead-free motor gasoline, aviation jet fuel, home heating oil and other light products that have been in tight supply."

The company said it might also make major expenditures to upgrade yields of petroleum-derived petrochemicals.

It also said it has allocated an additional $14m outside of the capital and exploration budget for U.S. well workovers to maintain and increase production from older wells.

Reuter

Bunker Ramo turns down $96m offer

OAK BROOK—The Board of Bunker Ramo, the electrical and electronics equipment group, has rejected Fairchild Industries Incorporated's $96m bid to acquire Bunker Ramo.

The announcement did not come as a surprise as Bunker Ramo's president and chief executive officer, Mr. George S. Trimble, had previously expressed serious reservations about the acquisition.

Fairchild, which already owns 20.6 per cent of Bunker Ramo, made its offer on May 18 to buy the remainder for $96m in cash and stock. An earlier agreement bars Fairchild from purchasing more than 21 per cent of Bunker Ramo without the approval of the Bunker Ramo Board.

On Friday, Bunker Ramo said its study of the proposed merger concluded that the proposal was "inadequate" and was not in the best interests of either the company or its shareholders.

Fairchild Industries had no immediate comment to make concerning the rejection.

AP-DJ

Japanese groups in U.S. moves

TWO JAPANESE concerns yesterday announced plans for new ventures in the U.S.—one in the field of motor vehicles and one in the restaurant business.

Isuzu Motors, one of Japan's major vehicle makers, is to establish its own U.S. distribution channel in the wake of General Motors' decision to stop selling its cars.

GM currently markets its own fuel-efficient compact cars that compete directly with Isuzu's Gemini, which had been sold in the U.S. as the Buick Opel.

The manufacturer announced on Friday that it will no longer import the Opel, which had sold 12,353 cars so far this year. But it said that it would continue to sell the small truck.

GM owns 34 per cent of Isuzu. C. Itoh is the Japanese company's largest stockholder.

Meanwhile, Yoshinoya West, a subsidiary of Yoshinoya Company of Japan, is to open its first west coast Beef Bowl restaurant in downtown Los Angeles this week.

After completing its plans for Los Angeles, the company is hoping to branch out to San Francisco, Chicago, Houston, Detroit and New York.

AP-DJ

Kaiser Cement buys stake in Florida Mining

TAMPA—Mr. J. L. Cone, a member of the board of Florida Mining and Materials Corporation, with several members of his family, has sold an aggregate at 455,000 shares of Florida Mining to a subsidiary of Kaiser Cement at $32.50 a share in cash.

He and his family has also contracted to sell an additional 120,519 shares to the same buyer at the same price. Both transactions represent about 31.8 per cent of Florida Mining's outstanding common stock.

Mr. Cone said Kaiser Cement management has agreed to recommend to its board that it make an offer to acquire the remainder of Florida Mining at $32.50 a share cash. This puts a total value of $58.8m on the company.

Steps are being taken to call a meeting of the board of Florida Mining tomorrow to consider the anticipated Kaiser proposal.

AP-DJ

Simpsons Sears ahead

By Robert Gibbens in Montreal

SIMPSONS-SEARS, the major merchandising group controlled by Sears Roebuck of the U.S., reports consolidated net sales of C$551m in the first quarter against C$515m a year earlier, an increase of 7 per cent.

Net earnings were C$4.7m against C$4.5m or 6 cents a share.

The company said that while sales and earnings for the first quarter were satisfactory, a recent survey indicates consumers are becoming more optimistic.

"We expect consumer confidence plus strong promotional efforts and strict cost controls will enable us to generate favourable sales and earnings for the full year," said the company.

Slack trading in Eurobonds

By Francis Ghilès

THE EUROBOND market was very quiet yesterday with dealers reporting virtually no turnover. All the major European financial centres except London were closed.

In London, the prices of many bonds were marked down by ¼ of a point in a bid to attract buying interest which, in the event, did not materialise.

FT INTERNATIONAL BOND SERVICE

e list shows the 200 latest international bond issues for which an adequate secondary market For further details of these or other bonds see the complete list of Eurobond prices published second Monday of each month.

Closing prices on June 4

U.S. DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec. 3½ 87 DM	4/79	476	*90¾	91¼	−0⅝	28.23
Tokyu Ld. Co. 4 86 DM	4/79	493	*86	87	−0½	11.95
Trio-Knwd 3½ 88 DM	11/78	711	*80¾	81¾	−0⅝	28.43

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

PLM lifts earnings in first four months

By William Dullforce in Stockholm

PLM, the Swedish metal can, packaging and waste treatment concern, made pre-tax earnings of SKr 1.4m ($318,000) during the first four months, ahead by SKr 0.9m from the corresponding period of 1978. Group sales rose by 11 per cent to SKr 709m ($161m).

This modest growth does not prevent Mr. Ulf Laurin, the managing director, from reiterating his earlier forecast of a profit recovery from last year's SKr 36m to between SKr 50m and SKr 55m for 1979 as a whole. Sales picked up in April and May after being hampered by severe winter weather.

The packaging division's result was better than expected during the first four months and its long-term position was secured by an agreement with Pripps, Sweden's largest brewery group, for the delivery of new types of beer and soft drink cans. This will entail an investment of some SKr 170m in new production facilities. The new containers are being developed in co-operation with Ball Corporation of the U.S.

The four-month result from PLM Haustrup, the Danish company, was weaker than expected with sales falling short of target and a warehouse fire contributing to the decline in profit.

The Euroglas division returned a pre-tax loss of SKr 4.3m, as the price war on the West German glass market continued into the beginning of the year. But prices started to recover in March and Mr. Laurin expects the division to produce a "satisfactory" result during the second half.

PLM's resource recovery operation, which has been trimmed down after failing to meet expectations, changed a SKr 1.8m loss in the first four months of 1978 into a SKr 2.8m profit. An increase in scrap iron prices helped.

Amfas sees turnover rise

ROTTERDAM—Amfas, the Dutch insurance group, expects turnover to rise by around 13 per cent in 1979 from Fl 1.19bn ($566m) in 1978, Mr. J. van Someren, the chairman, told the annual meeting.

Reuter

Solid growth continues at BMW

BY GUY HAWTIN IN FRANKFURT

BMW, the West German high-performance car maker, is still forging ahead at a rate well above the country's motor industry average, with powerful growth in cash sales, output and exports in the first five months of 1979.

Herr Eberhard von Kuenheim, BMW's chief executive, said that the parent company's sales during the period rose by between 23 and 24 per cent to about DM 3bn ($1.57bn).

Production during the period amounted to 154,000 units—17 per cent ahead of the comparable figure for 1978. Exports moved ahead by 13 per cent to 78,000 units.

Statistics for domestic registrations were not available for the five months, he said, because of a breakdown in the Federal Vehicle Registration Office computer. They would, however, show a marked increase.

These rates of growth would not be maintained for the year as a whole. The BMW management is sticking to its earlier forecast of 10 to 12 per cent sales expansion for 1979.

Herr von Kuenheim's claim does not mean that there will be a slowdown in the group's growth in the second half of the year. First half figures for 1978 and 1979 are not really comparable as the West German motor industry's performance last year was hit by a damaging strike in the first quarter.

But Herr von Kuenheim has a reputation for erring on the side of caution. In May last year, for instance, he predicted 1978 sales growth of about 10 per cent, yet by the year's end sales were up a full 19 per cent.

Demand for BMW products, which include motorcycles, during the opening months of 1979 were described as "satisfactory." The order book, already very high, has not shown much of an increase, but production is assured until the year's end.

Herr von Kuenheim was not prepared to disclose the delivery periods BMW is quoting its customers. However, they are still believed to be facing long waits for their cars.

In the long term, the BMW management sees no basic, negative trends likely to affect the car and motorcycle market.

However, it believes that past experience has shown customers are sensitive to short-term economic changes and therefore, that stronger fluctuations in car demand cannot be ruled out.

It is particularly worried about growing protectionism as BMW, like all of its German competitors, is heavily dependent on exports. The growing inclination of many countries to try to solve structural economic problems through protectionist measures, could hit Germany hard, it says.

But so far, BMW shows few signs of suffering. Figures for 1978 show the parent's sales up by 19.4 per cent to DM 5.96bn, with exports totalling DM 2.84bn and domestic sales DM 3.12bn. Group sales rose by 18.6 per cent to DM 6.56bn.

Group profits before tax and depreciation moved up by 32.9 per cent to DM 904.1m, while net profits rose by 19.4 per cent to DM 152.4m.

Depreciation increased from 1977's DM 255.2m to DM 307.6m and taxes from DM 247.3m to DM 381.7m.

The parent company's net profits increased from DM 125.3m to DM 150.6m, while the allocation to reserves rose from DM 60m to DM 70m.

The management is recommending an unchanged dividend of 18 per cent or DM 9 per DM 50 nominal share. Holders of new shares carrying rights to half of 1978's pay out will receive DM 4.50 per share.

Tengelmann in A & P board nominations

NEW JERSEY — Tengelmann Group, the West German food retailer that is a major shareholder in the Great Atlantic and Pacific Tea Company, has nominated four of its representatives to the supermarket chain's board. If elected, they will raise to six the number of Tengelmann delegates on the 13-member board.

Among those nominated as director is Helga Haub, the wife of Erivan Haub, who controls Tengelmann and is its chief executive. Also named were Rosemarie Baumeister, a Tengelmann vice-president, Sidney A. Kohl, chairman of Ridge Bancorp, A Milwaukee-based bank holding company, and Pauline Nagel, the retired vice-chairman of Household Finance Corp.

According to A and P's proxy statement, Tengelmann suggested those four directors. Earlier this year, two representatives of the German retailer were named to the board. The remaining seven nominees include three A and P executives and four outside directors unrelated to Tengelmann. Four other outside directors are not standing for re-election, making room for the Tengelmann delegates.

AP-DJ

Norwegian banking law upheld

BY FAY GJESTER IN OSLO

NORWEGIAN bank shareholders have lost the final round in a legal battle over a controversial new law designed to make the banks more democratic. At the weekend, the Supreme Court ruled unanimously that the law, which came into force in January 1978, does not conflict with the Constitution.

Its ruling reversed a decision last year by Oslo's municipal court, which said that the law as it stood offered inadequate compensation to shareholders who wished to sell their shares to the state. The law gives shareholders this option because — by putting them in a minority on the banks' governing bodies — it deprives them of control over the banks' affairs.

The group of 68 shareholders who challenegd the law were seeking full compensation for their shareholdings in the banks (based on the banks' total assets), because they claimed that the measure amounted to appropriation. This argument was rejected by the municipal court. It did agree, however, that the buy-back price offered by the state for bank shares was unfairly low.

Under the law, the price is based either on the market price on January 1, 1978, or on the average price over the three preceding years, whichever is higher. The exact rate is fixed by an independent commission.

The municipal court conceded that the constitution entitled shareholders to compensation for the probable value their shares would have had on January 1, 1978, had the Act not been passed. It says that a price based on the average price over three years would be unfairly low because bank shares fell in value when the Labour government announced plans to "democratise" the banks.

Rejecting this argument, the Supreme Court points out that share prices are affected by many different factors. The debate about the proposed law contributed only insignificantly to pushing prices down. In any case, a fall in share prices, as a result of public debate about a proposed change in the law, cannot automatically justify a claim for compensation by the state.

Mr. Tor Moursund, chairman of the Norwegian Commercial Banks Association, has urged bank shareholders to hold onto their shares for the time being, since the option to sell to the state holds good until the end of next year. Mr. Moursund said he hoped the government would extend this option, so that shareholders would have more time to reach a decision.

Over the past few months, the Stock Exchange price for bank shares has in some cases been higher than the state buy-back price, and in some cases lower, reflecting the individual bank's varying performances last year. Now that the legal argument has been settled, some holders of the higher priced shares may decide to take their profits while they can.

● A Royal Commission which has been studying the structure of the Norwegian credit market has recommended a smaller role on the money markets for the state banks. These banks provide long-term loans and subsidised interest rates to industry, housing, agriculture, fisheries and student education. The Commission believes that many groups which now benefit from this extremely cheap credit could well afford to borrow on the private market. It advocates more rapid amortisation of some state bank loans.

Swedish shipyard moves

MALMO KOCKUMS, the Swedish shipbuilding and engineering group, expects all group companies, except the parent and its property subsidiary, to pass into state hands on June 15.

In its 1978 annual report it states that its shipyard subsidiary, Kockums Varv, the last major privately-owned Swedish yard, will be transferred to the state shipbuilding group, Svenska Varv, along with Kockums Computer Systems and Kockums Energisystem.

The state-owned holding company, Statsfoeretag, will take over Kockums' industrial, chemical and automation companies, leaving the parent, Kockums AB, and the property unit, Kockums Fastighets, in private hands after a change of name.

Last December, shareholders agreed to the Government's offer to take over Kockums' assets, debts and other obligations for SKr 20m ($4.5m).

The Government later proposed SKr 1.09bn of capital aid and SKr 1.5bn worth of guarantees to the Kockums shipbuilding and shipping operations.

Kockums, in its last annual report as a privatae company, said that its 1978 group loss before appropriations and taxes widened to SKr 420m from SKr 61.8m a year earlier, and invoiced sales dropped to SKr 1.34bn from SKr 2.01bn.

Reuter

Bond market test for W. German authorities

By Jeffrey Brown

MEETING in Frankfurt today to discuss, and perhaps fix, the terms of the latest government offering in the bond market, the West German Capital Markets Committee faces a number of difficult decisions. It needs badly to get them right.

The latest shake-out in German bond markets is proving one of the most dramatic in recent memory with yields on long term bonds rising by more than a full percentage point—from 7 per cent to more than 8 per cent—since the end of March. As things stand, with the latest round of oil price increases compounding the Bundesbank's problems, few investors see a quick end to the rising trend of interest rates.

It is against this background, and in order to dictate a market level, that the German authorities are planning their second state issue in five weeks.

A decision may yet be postponed if the foreign exchange markets — closed throughout most of Europe yesterday—show signs of needing more time to digest last week's bout of interest rate increases within the EMS. After all, last month's exercise in bond market control—a DM 1.5bn offering in equal tranches of six and ten year paper—failed dismally. Standing at substantial discounts, the two bonds have still not been fully placed.

If the Bundesbank decides to act today the options open to it suggest that any 10 year element to an issue will need to be linked to a coupon of 7¾ per cent, if not 8 per cent. A coupon of 7¾ per cent would need to be priced at 99 to compete with existing stocks, and would compare with the coupons of 6½ per cent issued for government bonds as recently as November 1978.

Last week the Bundesbank was forced to lift its Lombard rate from 5 per cent to 5½ per cent, and again acted to improve market liquidity: this time by offering (for a limited period) to purchase bonds from the banks eligible for Lombard rediscounting. On Friday the market remained uncertain of the impact of this measure.

What is clear, however, is that the Bundesbank is still struggling to resolve the major conflicting forces within the German financial markets. It has yet to equate rising loan demand with heavy capital outflows and the need to check inflation through tight monetary control.

● The bond offering planned by Italian State Electricity Utility Enel will be for L600bn over seven years at 98. The coupon will be 12 per cent. Subscriptions open next Monday. This is the first public bond issue on the Italian market by Enel since last July.

Roche forecasts profits recovery

BY JOHN WICKS IN ZURICH

SOME RECOVERY is forecast by the Swiss pharmaceutiacals group, Hoffmann-La Roche, which expects sales and profits to be higher in 1979.

According to Fritz Gerber, chairman of the Basle-based parent company "cautious optimism" with regard to this year's results has been confirmed so far. In the first four months, local-currency turnover of the companies controlled by the Swiss undertaking and its Canadian holding subsidiary Sapac Corporation, was more than 16 per cent or higher by over 3 per cent in terms of Swiss francs.

Last year, combined sales declined by 11.7 per cent to SwFr 4.8bn as a result of translation of consolidated figures into the extremely strong Swiss franc, and net profit fell by 40 per cent to SwFr 201.2m. Mr. Gerber disclosed that overall turnover would have been SwFr 1bn above its actual level had exchange rates remained unaltered.

Sales last year also suffered from a stagnation in dollar turnover in the U.S. market, Roche's most important customer for pharmaceuticals. This was due particularly to a decline in American sales of "Librium" and "Valium" the concern's leading psycho-pharmaceuticals. This business has levelled out again this year.

The share of pharmaceuticals in overall Roche-Sapac turnover continued to fall off in 1978, dropping to 48 per cent. This sector's share of sales had been 60 per cent as recently as 1975.

Although sales increased in most national markets, Swiss franc turnover in pharmaceuticals was down by 17 per cent to SwFr 2.3bn. In comparison, the vitamins and fine chemicals product group expanded from 20 to 29 per cent of group sales.

Sales in terms of local currencies rose substantially in 1978 and turnover of the Belgian company, Citrique Belge SA, was included in the consolidated figure for the first time. Turnover fell by 6 per cent overall last year to under SwFr 1.4bn.

Rapid development is reported from diagnostics, agro chemicals and instruments though these operations are not yet making a major contribution to earnings and in part still need what Mr. Gerber called "development aid."

Roche said it had so far paid about SwFr 20m ($11.6m) in damages to people affected by an escape of toxic gas from one of its plants in northern Italy in 1976. The company has also spent at least as much again on decontamination of the affected zone around the town of Seveso, and on evacuation and health care for the population.

Mr. Gerber said Roche would take a positive attitude toward compensation claims from the Italian public authorities, but he declined to say how much the company would pay. Earlier this year a Geneva magistrate said the Seveso town authorities were claiming damages of $143m in a lawsuit against the company.

Swiss watchmaker moves out of loss-making phase

BY OUR ZURICH CORRESPONDENT

INCREASED sales and a move from losses to profits is reported for 1978 by the Swiss watchmaker, Societe Suisse pour l'Industrie Horlogere (SSIH).

Ralph H. Gautier, managing director, indicated that the company, best known as the manufacturer of "Omega" and "Tissot" watches, was successful last year in its attempt to win back a positive cash-flow.

The SSIH group, which had recorded a cash drain of SwFr 12.1m ($6.97m) in 1977, showed a consolidated cash-flow of SwFr 10.2m last year. Group turnover rose for the first time since 1975, improving by 7.7 per cent to SwFr 657m, although actual volume sales of watches and movements dipped by 6 per cent from 7.27m to 6.83m units.

This fall in volume was caused by smaller sales of pin-lever and other cheaper watches, the decline being more than compensated for in value by a rise of nearly 30 per cent exports of electronic watches.

M. Gautier, speaking at a Press conference, stated that SSIH hoped to resume dividend payments in a year's time to mark the company's golden jubilee. He said that SSIH should be able to improve market shares in 1979.

Turnover in the "Omega" division, which rose by 22 per cent last year, should increase by approximately 15 per cent. Tissot sales last year rose by 19.9 per cent, and the sales programme is to be expanded this year by a low-price collection in addition to the existing medium and high-price watches with this brand.

● Group turnover of the Swiss international forwarding agent Panalpina Welt-Transport, remained almost unchanged last year at SwFr 1.84bn despite the consolidation for the second half-year of the recently acquired Harle group, Houston. Had the Swiss franc parity remained unaltered gross turnover would have risen by some 12 per cent, while the growth in operating profit would have been of no less than 20 per cent but for the currency situation.

The Swiss parent undertaking, which foresees distribution of a 12 per cent dividend from net profits SwFr 0.48m lower at SwFr 3.93m, expressed optimism with regard to this year.

11	382	401	420	439	545	564	958	1122	1315
1334	1525	1792	2578	2597	2730	2864	2883	2902	3074
3093	3150	3214	3433	3644	3663	3682	3797	4742	4972
5166	5185	5262	5281	5338	5357	5415	5434	5699	11217
11236	11255	11274	11293	12707	12720	12745	12764	15505	15543
18352	18409	18561	18580	23262	23357				

nternational boost for einsurance in Hong Kong

ANTHONY ROWLEY IN HONG KONG

NSURANCE company has ormed here by a group of g international insurers nancial concerns, and is at making Hong Kong a ng international reinsur- entre."

ed the East Point Reinsur- Company of Hongkong Point Re), the concern its joint majority share- s, Jardine Matheson and e Hongkong and Shanghai g Corporation, and C. T. g and Co.

s partnership between ding Hong Kong groups, each with extensive insurance interests, and one of the world's largest insurance and reinsurance brokers and underwriters, reflects the growing importance of Hong Kong as a financial and insurance centre," East Point Re said last night.

Other shareholders in the concern are expected to include: Assurances Generales de France; the Chubb Corporation of the U.S.; Ming An Insurance Company, Hong Kong, which is closely related to the People's Reinsurance Company of China; New Zealand Insurance Company; Nippon Fire and Marine Insurance Company of Japan; and Vesta Insurance Company of Norway.

Mr. David White, who recently resigned his post as managing director of Alexander Howden, insurance brokers, has been appointed chief executive of East Point Re.

The company will have an issued and fully-paid capital of HK$ 30m, and it is intended that this will be increased when the company commences full-scale operations.

cotts Stores deficit increases

OUR JOHANNESBURG CORRESPONDENT

'S STORES, the Durban- clothing group, turned in 2,000 ($559,000) pre-tax r the year to February 28 R3.3m profit for the pre- year. After tax of 00 compared with R1.5m, it attributable taxed loss sed to R1.5m against a profit for 1977-78.

losses were higher than ed following a R858,000 ax loss at the halfway especially since turnover he year increased from n to R80.8m. The results ot include extraordinary arising out of the restruc- discounting and selling rations, and goodwill writ- ff. These items amassed of R1.4m compared with s of R788,000.

ause of the losses the company has paid no dividend. Last year 35 cents was paid.

Scotts survival has been sanctioned by a consortium of banks who have agreed, subject to onerous conditions, that they will continue to fund the chain. Included in these conditions are the requirements that the chain cut its level of borrowings and make no further acquisitions until the financial ratios are acceptable to the banks. To meet part of these requirements Scotts has repaid R3m in borrowings, mainly from the sale of assets. The group is also committed to further repayments from cash flow.

Continuing operations reported a profit down from R2.1m to R928,000 for the year to February because stocks were not sufficiently depreciated in previous years. To this extent, past years' profits have been overstated, and Mr. Des Scotts, the chief executive, says that more conservative stock accounting will be followed in future.

Mr. Scotts adds that the group is struggling with competition and the need to keep pace with changing fashion trends in the clothing market, but he is confident that the current year will see a profit, and that a dividend may be possible in the following year.

Since the troubles at Scotts became apparent in the 1978-79 financial year, the share price has fallen from 505 cents to the current 100 cents compared with a net asset value of 306 cents. The bottom end of the market which Scotts serves does not have the same potential for recovery as the upper end, particularly in view of the recent food price increases and impending fuel price rises.

Setback at Pan-Electric

By Our Singapore Correspondent

GROUP POST-TAX profit at Pan-Electric Industries fell by 12 per cent to S$4.72m (US$ 2.14m) for the year ended December, 1978.

Part of the decline was due to the 70 per cent increase in its tax charge to S$1.38m as pre-tax profit fell only by 1.8 per cent to S$6.1m.

However, the group—which is largely involved in the manufacture of electrical appliances, marine salvaging, shipbuilding and chartering—appeared to have made up somewhat for the poor performance in the first half, when it managed to record a post-tax profit of only S$236,000.

The group attributed the first half performance to under-utilisation of its commercial barge and tug fleet and unremunerative charter rates as well as unprofitable shipyard operations.

Pan-Electric has decided to halve its gross dividend to 10 per cent to conserve shareholders funds as capital investments, which it said, have increased substantially over the past year.

Sasebo HI forecasts recovery as losses rise

TOKYO—Sasebo Heavy Industries, the medium-sized Japanese shipbuilding company, has announced increased net losses of Y18.30bn ($82.69m) in the year ended March 31 compared with a previous net loss of Y1.16bn.

Sales dropped 37.7 per cent to Y49.472bn from the preceding year's Y79.44bn.

The company, however, expects a net profit of Y1.5bn in the current year ending March 1980.

Sasebo attributed the sharp decline in sales and profit to foreign exchange losses and the continuing worldwide business slump. The company paid a total of Y6bn to 1,681 workers who volunteered to retire to help Sasebo ride out the recession.

Ship sales totalled Y22.60bn, down 57 per cent from the previous year's Y52.89bn. The building of new ships accounts for 46 per cent of Sasebo's total sales. Ship repair work, representing 19 per cent of the company's business, amounted to Y9.393bn, compared with Y11.398bn in the preceding year.

Sales of machinery declined 1 per cent to Y8.24bn.

The foreign exchange loss will be slashed in view of the recent decline of the yen against the dollar. The expected Y1.5bn profit is based on an exchange rate of between Y200 and Y210 to the dollar.
AP-DJ

JAPANESE BANKING

National bond fall hits profits

BY RICHARD C. HANSON IN TOKYO

JAPANESE CITY banks largely faced lower operating profits in the half-year to March 31 as a result of losses on National bond holdings and tighter margins on loans. While for the most part the banks showed some increase in net profit in the latest term, they are forecasting a sharp turn downward during the current half year.

The negative margin between lending income and deposit costs which became evident during the two prior half-year periods dissappeared, but the banks suffered severely from a collapse in the price of long-term National bonds. Loan demand at home picked up moderately, but it appears that it has not kept pace with the increase in deposits.

Dai-Ichi Kangyo Bank, the largest in terms of deposits saw its gross income rise 8.47 per cent to Y393.2bn ($1.8bn) but its operating profit dipped 5.7 per cent to Y32.34bn ($147m). Net profit increased 9.9 per cent to Y15.02bn, but the bank expects to show a decline during the present term to Y12.0bn.

Dai-Ichi had a loss of Y11bn on National bond holdings (which account for more than 50 per cent of all its securities holdings), compared with a loss of Y4bn in the prior term. Its loans were up 6.3 per cent, but deposits gained 8.4 per cent.

Sumitomo Bank was one of the banks to show an increase in operating profit, of 4.7 per cent to Y31.3bn. Its net profit was up 10.6 per cent to Y15.7bn. Gross income was up 12.4 per cent to Y346.4bn. Sumitomo met with a sharp increase in its loss on National bonds, but offset that in part by a transfer from reserves of Y3.7bn into the profit column, and by an increase in overseas bills discounting business, where interest rates were higher.

Loans were up 6.6 per cent to Y7,286bn while deposits rose 8 per cent to Y9,234bn.

The bank sees loan demand in Japan as rising this year as the economy continues to recover, but is concernd over the continued burden of national bond issues, which the Government has been forced to schedule, and which the banks have to absorb.

Mitsui Bank bolstered its net profit in the half-year through special reserves, but showed a drop in operating profit of 13 per cent to Y18.5bn.

It lost Y7.7bn on National bonds. Net profit was up slighty to Y8.79bn from Y8.37bn. Gross income rose 9 per cent to Y237.36bn.

On the positive side, the relationship of lending income to deposit costs swung to the plus side, to 0.277 per cent from a negative 0.351 per cent in the September half year.

Mitsubishi Bank showed a decline in operating profit of 12 per cent to Y32.7bn, and expects a fall to Y17bn this term. Net profit, which was up 10 per cent to Y16.3bn in the half-year to March, is expected to drop to Y13bn for the September half.

Sanwa Bank gained 8.8 per cent in gross income to Y338.87bn, but its operating profit fell 5.7 per cent to Y30.738bn. Net profit rose 10 per cent to Y14.67bn, but is expected to drop to Y11.5bn this term.

JAPANESE CITY BANK RESULTS

	GROSS INCOME			OPERATING PROFIT			NET PROFIT		
	Half-year to March	Change on previous half-year	Forecast change in current half-year	Half-year to March	Change on previous half-year	Forecast change in current half-year	Half-year to March	Change on previous half-year	Forecast change in current half-year
	Ybn	%	%	Ybn	%	%	Ybn	%	%
Dai-Ichi Kangyo	39.2	+ 8.0	+ 9.3	22.3	− 6.0	−38.0	15.0	+ 9.4	−20.0
Fuji	358.0	+ 9.0	+10.8	31.1	−22.1	−35.7	16.4	+10.0	−21.0
Sumitomo	342.4	+11.6	+ 9.5	34.7	+ 1.5	+33.8	15.7	+10.6	−20.0
Mitsubishi	339.3	+ 8.5	+ 8.1	32.7	−12.0	−48.0	16.3	+10.1	−20.0
Sanwa	338.9	+10.8	+10.0	30.7	− 6.0	−35.0	14.7	+10.5	−21.0
Tokai	244.6	+ 63	+10.0	19.8	−15.0	−45.0	8.5	+ 2.0	−23.6
Mitsui	237.4	+ 9.0	+11.0	18.5	−13.0	−40.0	8.8	+ 5.0	−25.0
Daiwa	146.7	− 2.4	+10.4	12.5	−38.0	−44.0	6.1	+ 8.2	−18.0
Kyowa	160.6	+ 5.0	+ 9.5	11.0	+ 8.0	−23.0	5.1	− 5.6	−12.0
Taiyo Kobe	233.9	+ 8.8	+ 9.9	13.4	−22.1	−36.6	6.5	+ 3.0	−23.0
Saitama	120.9	+ 6.5	+ 7.5	9.0	−21.8	−39.0	4.6	+ 2.2	−20.0

CURRENCIES, MONEY and GOLD

WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on June 4, 1979. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the UK and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rate; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	91.00
Albania	Lek	10.199
Algeria	Dinar	7.9557
Andorra	French Franc / Spanish Peseta	9.1825 / 137.23
Angola	Kwanza	60.116
Antigua (S)	E. Caribbean $	5.6152
Argentina	Ar. Peso Free Rate	2,629
Australia (S)	Australian $	1.8763
Austria	Schilling	29.295
Azores	Portug. Escudo	103.875
Bahamas (S)	Ba. Dollar	2.0778
Bangladesh (S)	Taka	32.87 (sg)
Bahrain (S)	Dinar	0.797
Balearic Isles	Spa. Peseta	137.23
Barbados (S)	Barbados $	4.1555
Belgium	B. Franc	(cm) 63.95 / (fn) 65.90
Belize	B $	4.1555
Benin	C.F.A. Franc	459½
Bermuda (S)	Bda $	2.0778
Bhutan	Indian Rupee	16.825 (sg)
Bolivia	Bolivian Peso	41.556
Botswana (S)	Pula	1.7207
Brazil	Cruzeiro	53.15
Brit. Virgin Isles (S)	U.S. $	2.0778
Brunei (S)	Brunei $	4.5785
Bulgaria	Lev	1.7930
Burma	Kyat	13.9775
Burundi	Burundi Franc	184.465
Cameroon Republic	C.F.A. Franc	459½
Canada	Canadian $	2.4422
Canary Islands	Spanish Peseta	137.22
Cape Verde Isle	Cape V. Escudo	74.8605
Cayman Islands (S)	Cay. Is. $	1.7316
Cent. African Rep.	C.F.A. Franc	459½
Chad	C.F.A. Franc	459½
Chile	C. Peso	(Bk) 75.76
China	Renminbi Yuan	3.2325
Colombia	C. Peso	(F) 88.58
Comoro Islands	C.F.A. Franc	459½
Congo (Brazzaville)	C.F.A. Franc	459½
Costa Rica	Colon	17.869
Cuba	Cuban Peso	1.4676
Cyprus (S)	Cyprus £	0.7880
Czechoslovakia	Koruna	(com) 11.15 / (n c) 22.18 / (T) 10.70
Denmark	Danish Krone	11.4775
Djibouti	Fr.	345.0
Dominica (S)	E. Caribbean $	5.6152
Dominican Repub.	Dominican Peso	2.0778
Ecuador	Sucre	(O) 51.67 / (F) 59.51
Egypt	Egyptian £	(U) 1.4028
Equatorial Guinea	Peseta	137.22
Ethiopia	Ethiopian Birr	(P) 4.3060
Falkland Islands (S)	Falkland Is. £	1.0
Faro Islands	Danish Krone	11.4775
Fiji Islands	Fiji $	1.7814
Finland	Markka	8.3175
France	French Franc	9.1825
French C'tyln Af.	C.F.A. Franc	459½
French Guiana	Local Franc	9.1825
French Pacific Is.	C.F.P. Franc	166.95
Gabon	C.F.A. Franc	459½
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	3.9725
Germany (West)	Deutsche Mark	3.9725
Ghana (S)	Cedi	5.69 (sg)
Gibraltar (S)	Gibraltar £	1.0
Gilbert Islands	Australian $	1.8763
Greece	Drachma	77.702
Greenland	Danish Kroner	11.4775
Grenada (S)	E. Caribbean $	5.6152
Guadaloupe	Local Franc	9.1825
Guam	U.S. $	2.0778
Guatemala	Quetzal	2.0778
Guinea Republic	Sily	40.55
Guinea Bissau	Peso	72.245
Guyana (S)	Guyanese $	5.2984
Haiti	Gourd	10.39
Honduras Repub.	Lempira	4.17
Hong Kong (S)	H.K. $	10.61
Hungary	Forint	(com) 73.61 / (T)(nc) 42.06
Iceland (S)	I. Krona	699.5
India (S)	Ind. Rupee	16.825
Indonesia	Rupiah	1.298
Iran	Rial	144.0
Iraq	Iraq Dinar	0.6129
Irish Republic (k)	Irish £	1.0565
Israel	Israel £	50.1193
Italy	Lira	1.775
Ivory Coast	C.F.A. Franc	459½
Jamaica (S)	Jamaica Dollar	3.6154
Japan	Yen	456.75
Jordan (S)	Jordan Dinar	0.63 (sg)
Kampuchea	Riel	2493.4
Kenya (S)	Kenya Shilling	15.815
Korea (Nth)	Won	1.77 (n)
Korea (Sth)	Won	1005.7
Kuwait (S)	Kuwait Dinar	0.579
Laos	Kip Pot Po	831.1
Lebanon	Lebanese £	6.794
Lesotho	S. African Rand	1.755
Liberia	Liberian $	2.0778
Libya	Libyan Dinar	0.6151
Liechtenstein	Swiss Franc	3.59125
Luxembourg	Lux Franc	63.92
Macao	Pataca	11.033
Madeira	Portug'se Escudo	103.875
Malagasy Republic	MG Franc	459½
Malawi (S)	Kwacha	1.7226
Malaysia (S)	Ringgit	4.6170
Maldive Islands (S)	Mal Rupee	8.16
Mali Republic	Mali Franc	918.25
Malta (S)	Maltese £	0.7675
Martinique	Local Franc	9.1825
Mauritania	Ouguiya	92.245
Mauritius (S)	M. Rupee	12.66
Mexico	Mexican Peso	47.45
Miquelon	French Franc	9.1825
Monaco	French Franc	9.1825
Mongolia	Tugrik	(O) 5.8871 (i)
Montserrat	E. Caribbean $	5.6152
Morocco	Dirham	8.18 (sg)
Mozambique	Moz. Escudo	68.096
Nauru	Australian Dollar	1.8763
Nepal	Nepalese Rupee	24.94
Netherlands	Guilder	4.350
Netherland Antilles	Antillian Guilder	3.7193
New Hebrides	Franc / Aust. Dollar	148.404 / 1.8763
New Zealand (S)	N. Z. Dollar	1.9868
Nicaragua	Cordoba	20.77
Niger Republic	C.F.A. Franc	459½
Nigeria (S)	Naira	1.2610 (sg)
Norway	Norway Krone	10.77125
Oman Sul'ate of (S)	Rial Omani	0.717
Pakistan	Pakistan Rupee	20.50
Panama	Balboa	2.0778
Papua N. Guinea (S)	Kina	1.4987
Paraguay	Guarani	259.27
Peoples D. Repub. of Yemen (S)	S. Yemen Dinar	(A) 0.7095
Peru	Sol	(exc) A-456.21
Philippines	Philippine Peso	15.352
Pitcairn Islands (S)	£ Sterling / New Zealand $	1.0 / 1.9868
Poland	Zloty	(Cm) 63.38 / (T) 63.38
Portugal	Portug'se Escudo	103.875
Port Timor	Timor Escudo	103.875
Principe Islands	Portug'se Escudo	103.875
Puerto Rico	U.S. $	2.0778
Qatar (S)	Qatar Ryal	7.81
Reunion Ile de la	French Franc	9.1825
Rhodesia	Rhodesian $	1.4409
Romania	Leu	(Cm) 9.07 / (nc) 24.55
Rwanda	Rwanda Franc	192.25
St. Christopher (S)	E. Caribbean $	5.6152
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	5.6152
St. Pierre	C.F.A. Franc	459½
St. Vincent (S)	E. Caribbean $	5.6152
Salvador El	Colon	4.58
Samoa American	U.S. $	2.0778
San Marino	Italian Lira	1,775
Sao Tome	Portuguese Escudo	103.875
Saudi Arabia	Ryal	7.06
Senegal	C.F.A. Franc	459½
Seychelles	S. Rupee	13.33
Sierra Leone (S)	Leone	2.2255
Singapore (S)	Singapore $	4.5785
Solomon Islands (S)	Solomon Is. $	1.8829
Somali Republic	Somali Shilling	(A) 13.079
South Africa (S)	Rand	1.755
South West African Territories (S)	S. A. Rand	1.755
Spain	Peseta	137.22
Spanish ports in North Africa	Peseta	137.22
Sri Lanka (S)	S. L. Rupee	32.2145
Sudan Republic	Sudan £	(A) 0.8311
Surinam	S. Guilder	3.7193
Swaziland (S)	Lilangeni	1.755
Sweden	S. Krona	9.1035
Switzerland	Swiss Franc	3.59125
Syria	Syria £	(A) 8.156
Taiwan	New Taiwan	(P) 74.8
Tanzania (S)	Tan. Shilling	16.95
Thailand	Baht	41.95
Togo Republic	C.F.A. Franc	459½
Tonga Islands (S)	Pa'anga	1.8829
Trinidad (S)	Trinidad & Tob $	4.9867
Tunisia	Tunisian Dinar	0.842 (sg)
Turkey	Turkish Lira	80.10
Turks & Caicos	U.S. $	2.0778
Tuvalu	Australian $	1.8763
Uganda (S)	Uganda Shilling	n.a.
United States	U.S. Dollar	2.0778
Uruguay	Uruguay Peso	(cm) 16.09 / (fn) 16.11
Utd. Arab Emirates	U.A.E. Dirham	7.97
U.S.S.R.	Rouble	1.3665
Upper Volta	C.F.A. Franc	459½
Vatican	Italian Lira	1755
Venezuela	Bolivar	8.93
Vietnam	Dong	(O) 4.5296 / (T) 4.070
Virgin Islands U.S.	U.S. Dollar	2.0778
Western Samoa (S)	Samoan Tala	1.5165
Yemen	Ryal	9.39 (sg)
Yugoslavia	New Y Dinar	39.7760
Zaire Republic	Zaire	1.3757
Zambia	Kwacha	1.665

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. †Rupees per pound. ‡General rates of oil and iron exports 87.268. Based on cross rates against Russian rouble. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified Rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and are not members of IMF.

Canadian $ weaker

The Canadian dollar fell sharply in a restricted foreign exchange market yesterday, with most European centres closed for a holiday. News of a substantial drop in Canada's official reserves to U.S.$4.08bn in May, compared with U.S.$5.14bn for April was seen as the main reason behind the decline, and highlights the recent attempts by the Canadian authorities to support the dollar. There was also a good deal of uncertainty surrounding Canada's overall trade surplus for 1979, with April's surplus of only C$12m, together with a downward revision of earlier months' figures, causing some apprehension in the market.

At one point the Canadian currency fell to 85.02 U.S. cents but recovered after support by the authorities to close at 85.09½ U.S. cents, sharply weaker than Friday's level of 85.73½ U.S. cents. On Bank of England figures, its index fell from 81.6 to 80.9.

Sterling showed a firmer tendency in mainly commercial trading and its trade weighted index remained steady at all three calculations at 67.7, up from Friday's close of 67.6. Against the dollar it opened at 2.0750-2.0760 and touched $2.0795 at one point before closing at $2.0773-2.0783, a rise of 33 points.

The dollar was slightly weaker overall and closed at DM 1.9115 against DM 1.9160 in terms of the D-mark and SwFr 1.7280 from SwFr 1.7330 against the Swiss franc. The U.S. unit was also weaker against the yen on speculation over a possible revival in Japanese exports. The dollar fell to Y219¾ from Y221.2. On a trade weighted basis, using Bank of England figures, its index fell to 86.9 from 87.0.

MILAN—Trading was virtually at a standstill yesterday, with most of Europe's foreign exchange centres closed for a holiday. The dollar was quoted at L854.45, slightly down from Friday's level of L854.95, while sterling remained at L1,775.1.

NEW YORK—With business at a very low level, the dollar showed little movement in early trading, and was quoted at $2.0780 against sterling, unchanged from Friday. The U.S. currency eased slightly against the D-mark to DM 1.9135 from DM 1.9165 and to SwFr 1.7290 from SwFr 1.7345 in terms of the Swiss franc.

TOKYO — The dollar lost ground against the Japanese yen in quiet trading to close at Y220.325, compared with Friday's close of Y221.40. After opening at Y221.50, the U.S. unit moved to Y221.65 before selling pressure by foreign banks saw the rate fall back. The dollar may also have been affected by indications that Japanese exports may once again be on the increase, as export letters of credit rose by 17.1 per cent in May compared with a year ago. Trading in the spot market totalled $638m, with forward trading at $137m, and swap transactions accounting for $750m.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.4582	40.5319	+2.72	+1.81	±1.53
Danish Krone	7.08592	7.27646	+2.69	+1.78	±1.635
German D-Mark	2.51064	2.52162	+0.44	−0.46	±1.1325
French Franc	5.79831	5.83380	+0.61	−0.30	±1.35
Dutch Guilder	2.72077	2.76619	+1.67	+0.76	±1.5075
Irish Punt	0.662638	0.667660	+0.76	−0.15	±1.665
Italian Lira	1148.15	1126.42	−1.89	−1.89	±4.0725

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

June 4	Day's spread	Close	One month	% p.a.	Three months
U.S.	2.0750-2.0795	2.0773-2.0783	0.18-0.09c pm	0.81	0.69-0.59 pm
Canada	2.4225-2.4450	2.4417-2.4427	0.14-0.04c pm	0.44	0.34-0.24 pm
Nethlnd.	4.34-4.36½	4.34½-4.35½	1¾-¼c pm	3.45	3½-2½ pm
Belgium	63.80-64.05	63.88-63.98	22-12c pm	3.18	45-35 pm
Denmark	11.46½-11.50	11.47-11.48½	par-2 ore dis	−1.05	¾ pm-1¼ dis
Ireland	1.0625-1.0595	1.0555-1.0576	5-15p dis	−1.14	50-60 dis
W. Ger.	3.96-3.99	3.96¾-3.97¾	2⅞-1⅞pf pm	6.42	6¼-6¼ pm
Portugal	103.25-104.25	103.75-104.00	50-100c dis	−9.24	180-280 dis
Spain	136.90-137.35	137.17-137.27	100-50c pm	6.56	100-50 pm
Italy	1.772-1.778	1.774¾-1.775¾	¼lire pm-1¼l.dis	−0.51	2½-4½ dis
Norway	10.76-10.79	10.76¾-10.77¾	2½-½ ore pm	1.67	9-7 pm
France	9.17½-9.21	9.17¾-9.18¾	½c pm-½c dis	0.16	½ pm-½ dis
Sweden	9.09-9.12½	9.09½-9.11	2½-½ ore pm	1.98	6-4 pm
Japan	455-460	456¼-457¼	2.70-2.45y pm	6.78	7.45-7.20 pm
Austria	29.15-29.75	29.27-29.32	10 gro pm-par	2.05	40-30 pm
Switz.	3.58-3.62	3.58¾-3.59¾	3¼-2¾c pm	9.61	9¼-8¼ pm

Belgium rate is for convertible francs. Financial franc 65.85-65.95. Six-month forward dollar 1.15-1.10c pm; 12-month 2.15-2.05c pm.

THE DOLLAR SPOT AND FORWARD

June 4	Day's spread	Close	One month	% p.a.	Three months
UK†	2.0750-2.0795	2.0773-2.0783	0.19-0.09c pm	0.81	0.69-0.59 pm
Ireland†	1.9650-1.9720	1.9670-1.9720	0.65-0.40c pm	3.20	2.00-1.80 pm
Canada†	85.18-85.54	85.15-85.18	0.05-0.03c pm	0.56	0.19-0.16 pm
Nethlnd.	2.0920-2.0970	2.0920-2.0940	0.45-0.35c pm	2.29	0.83-0.73 pm
Belgium	30.76-30.90	30.78½-30.80	6.2-5.2c pm	2.22	10-8 pm
Denmark	5.5220-5.5330	5.5315-5.5330	0.25-0.75 ore dis	−1.08	1.50-2.00dis
W. Ger.	1.9127-1.9180	1.9170-1.9180	0.88-0.78pf pm	5.19	2.17-2.07 pm
Portugal	49.80-50.05	49.95-50.05	37-53c dis	−10.80	90-140 dis
Spain	66.00-66.05	66.01-66.05	35-25c pm	6.45	15-5 pm
Italy	853.95-854.65	853.95-854.45	0.75-1.25 lire dis	−1.40	3.50-4.25dis
Norway	5.1835-5.1920	5.1905-5.1920	0.75-0.35 ore pm	1.27	2.30-1.90 pm
France	4.4275-4.4325	4.4300-4.4325	0.15-0.35c dis	−0.68	1.05-1.25dis
Sweden	4.3790-4.3900	4.3885-4.3900	0.65-0.45 ore pm	1.50	1.10-0.90 pm
Japan	219.60-220.00	219.60-219.80	1.10-1.00y pm	5.73	2.90-2.80 pm
Austria	14.120-14.125	14.120-14.125	5.80-5.30 gro pm	4.72	14.5-13.0 pm
Switz.	1.7286-1.7335	1.7325-1.7335	1.30-1.25c pm	8.83	3.70-3.65 pm

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

May 31	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.610556	0.634816
U.S. $	9½	1.26727	1.31689
Canadian $	11¼	1.47814	1.51545
Austria Sch.	3¾	17.8780	18.5795
Belgian F	8	39.0002	40.5319
Danish K.	8	7.00547	7.27646
D mark	4	2.42695	2.52162
Guilder	7	2.66063	2.76619
French Fr.	9½	5.61337	5.83380
Lira	10½	1083.52	1126.42
Yen	4¼	280.954	291.295
Nrwgn. K.	7	6.58220	6.82958
Spanish Pes.	8	83.6791	86.9937
Swedish Kr.	6½	5.57156	5.77523
Swiss Fr.	1	2.19555	2.28113

CURRENCY MOVEMENTS

June 4	Bank of England Index	Morgan Guaranty changes %
Sterling	67.7	−35.9
U.S. dollar	86.9	−6.7
Canadian dollar	80.9	−17.1
Austrian schilling	144.6	+18.2
Belgian franc	113.2	+12.4
Danish kroner	112.4	+1.8
Deutsche Mark	149.3	+41.5
Swiss franc	193.4	+80.5
Guilder	122.9	+18.7
French franc	98.1	−7.1
Lira	54.5	−48.9
Yen	132.9	+30.8

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

June 4	£	$		£ Note Rates
Argentina Peso	2619-2639	1260-1270	Austria	28.80-29.30
Australia Dollar	1.8743-1.8783	0.9020-0.9040	Belgium	65-66½
Brazil Cruzeiro	52.65-53.65	25.35-25.85	Denmark	11.45-11.65
Finland Markka	8.31-8.32½	4.0040-4.0070	France	9.10-9.25
Greek Drachma	76.576-78.428	36.85-37.75	Germany	3.90-3.95
Hong Kong Dollar	10.60-10.62	5.1020-5.1060	Italy	1,740-1,780
Iran Rial	137-151	72-75	Japan	457-467
Kuwait Dinar (KD)	0.574-0.584	0.2788-0.2789	Netherlands	4.30-4.40
Luxembourg Frc.	63.88-63.98	30.76-30.78	Norway	10.75-10.85
Malaysia Dollar	4.6120-4.6220	2.005-2.2015	Portugal	100-103
New Zealand Dlr.	1.9838-1.9898	0.9545-0.9575	Spain	135¼-138¼
Saudi Arab. Riyal	7.01-7.11	3.4004-3.4008	Switzerland	3.55-3.65
Singapore Dollar	4.5735-4.5855	2.2040-2.2050	United States	2.0750-2.0850
Sth. African Rand	1.75-1.76	0.8420-0.8470	Yugoslavia	41-43

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

June 4	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.078	3.975	456.8	9.185	3.591	4.350	1776.	2.442	63.95
U.S. Dollar	0.481	1.	1.912	219.8	4.419	1.728	2.094	854.5	1.175	30.77
Deutschemark	0.252	0.523	1.	115.0	2.312	0.904	1.095	446.8	0.615	16.09
Japanese Yen 1,000	2.189	4.549	8.697	1000.	20.10	7.863	9.524	3886.	5.347	140.0
French Franc 10	1.089	2.263	4.326	497.4	10.	3.911	4.737	1933.	2.660	69.62
Swiss Franc	0.278	0.579	1.106	127.2	2.557	1.	1.211	494.3	0.680	17.80
Dutch Guilder	0.230	0.478	0.913	105.0	2.111	0.826	1.	408.0	0.561	14.70
Italian Lira 1,000	0.563	1.171	2.238	257.3	5.173	2.023	2.451	1000.	1.375	36.02
Canadian Dollar	0.409	0.851	1.627	187.0	3.760	1.470	1.781	726.8	1.	26.18
Belgian Franc 100	1.564	3.250	6.214	714.5	14.36	5.617	6.804	2776.	3.820	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.30-10.40 per cent; three months 10.35-10.45 per cent; six months 10.40-10.50 per cent; one year 10.20-10.30 per cent.

June 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	n.a.	10-10¼	9½-10½	7⅛-7⅝	[illegible]	5¼-5⅝	9-9½	9-10	—	⅝-5⅛
7 days' notice	n.a.	10⅜-10⅝	9½-10½	7⅝-7⅞	1⅛-1¼	5¼-5⅝	9-9½	10-11	10¼-10⅝	3¼-5
Month	n.a.	10⅞-11⅛	10⅝-11⅛	8⅛-8⅜	1⅛-1⅜	6⅛-6⅜	11⅛-11¾	11-12	10⅜-10⅝	4⅝-5⅜
Three months	n.a.	10⅞-10⅞	10⅞-11⅛	8⅞-9⅛	2-2⅛	6-6⅛	11⅛-11¾	11½-12½	10½-10⅝	5⅜-5⅝
Six months	n.a.	10⅞-10⅞	10⅞-11⅛	9¼-9½	2⅛-2⅜	6⅛-6⅜	11⅛-11⅞	12¼-13¼	10⅝-10⅞	5⅜-5⅞
One year	n.a.	10⅜-10⅝	10⅝-10⅞	9¼-9½	3⅛-3¼	7-7⅛	11⅜-12	12¾-13¾	10⅝-10⅞	6⅛-6⅝

Long-term Eurodollar deposits: two years 10¼-10¾ per cent; three years 10-10¼ per cent; four years 9¾-10¼ per cent; five years 9⅞-10 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

GOLD

Little change

Gold showed very little change in the London bullion market yesterday in very subdued trading. It closed at $274¾-$275½, a fall of just $½ an ounce from Friday's close. The metal opened at $275-275¾ and was fixed lower during the morning at $273.60. By the afternoon fixing it had declined to $272.90 before coming back to its closing level.

The Krugerrand's premium over its gold content narrowed to 6.50 per cent from 6.94 per cent for domestic delivery and to 2.50 per cent from 3.76 per cent in international dealings.

	June 4	June 1
Gold Bullion (fine ounce)		
Close	$274¾-275½ (£132.2-132.5)	$275¼-276 (£132.8-133.2)
Opening	$275-275¾ (£132.4-132.7)	$276¾-277½ (£133.6-133.9)
Morning fixing	$273.60 (£131.621)	$276.70 (£133.382)
Afternoon fixing	$272.90 (£131.372)	$275.10 (£132.674)
Gold Coins, domestically		
Krugerrand	$291-295 (£140-142)	$292¾-296¾ (£141½-143½)
New Sovereigns	$75-77 (£36-37)	$75¼-77¼ (£36¼-37¼)
Old Sovereigns	$86¼-88¼ (£41½-42½)	$86-88 (£41½-42½)
Gold Coins, internationally		
Krugerrand	$281-283 (£135½-136½)	$285-287 (£137½-138½)
New Sovereigns	$70½-72½ (£34-35)	$71-73 (£34¼-35¼)
Old Sovereigns	$91½-93½ (£44-45)	$92-94 (£44½-45½)
$20 Eagles	$437-442	$439-444
$10 Eagles	$228-233	$239-244
$5 Eagles	$158-163	$169-174

MONEY RATES

NEW YORK

Prime Rate	11.75
Fed Funds	10.3125
Treasury Bills (13-week)	9.54
Treasury Bills (26-week)	9.44

GERMANY

Discount Rate	4
Overnight Rate	5.60
One month	5.90
Three months	6.50
Six months	6.90

FRANCE

Discount Rate	9.5
Overnight Rate	7.875
One month	8.3125
Three months	8.6875
Six months	9.0625

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.25
Bills Discount (three-month)	5.6875

UK MONEY MARKET

Moderate assistance

Bank of England Minimum Lending Rate 12 per cent (since April 5, 1979)

Day-to-day credit was in short supply in the London money market yesterday, and the authorities gave a moderate amount of assistance by buying a moderate number of Treasury bills from the Discount houses and a small amount of local authority bills.

Banks brought forward small surplus balances. Government disbursements exceeded revenue payments to the Exchequer, and there was a small rise in the note circulation. These factors outweighed the very large payment of the balance due on 11 per cent Exchequer 1991.

Discount houses paid 11⅞-11¾ per cent for secured call loans in the early part, and closing balances were taken at around 11½ per cent.

In the interbank market overnight loans opened at 11¼-11½ per cent and traded around 11¼-11¾ per cent for the most part. Rates eased to 10½-11 per cent in the afternoon, and closed at 12½-13 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

June 4 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	10½-13	—	—	—	12⅛	11¼-11¾	—	—	—
2 days notice	—	—	11¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11½-11⅞	11¾-11⅞	—	12	11¾	11½-11¾	—	—	—
One month	11⅝-11¾	11¾-11⅞	11⅝-11⅞	12⅜-12⅛	12⅛	12⅛	11⅝	11⅞	11⅞-11⅞	12¼
Two months	11⅞-11⅞	11¾-11⅞	—	12⅛-12	12⅛	—	11⅝	11⅞	11⅞-11⅞	12¼
Three months	11⅞-11¾	11¾-11⅞	11¾-11⅞	11⅞-11⅝	12⅛	12⅛	11⅝	11⅞-11⅞	11⅝-11⅞	12
Six months	11¾-11⅞	11⅞-11⅞	11⅝-11¾	11¼-11	12	—	—	—	11⅝-11¾	11¾
Nine months	11⅞-11½	11½-11¾	—	11⅝-11⅝	12	—	—	—	—	—
One year	11½-11⅝	11⅞-11⅝	11½-11⅝	11¾-11½	11⅞	—	—	—	—	—
Two years	—	—	11⅞-12	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice others seven days' fixed. *Long-term local authority mortgage rates nominally three years 12-12¼ per cent; four years 12⅜-12½ per cent; five years 12¼-12½ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 11⅞ per cent; four-month trade bills 11⅞ per cent.

Approximate selling rate for one-month Treasury bills 11⅞ per cent; two-month 11[illegible] per cent; three-month 11½-11[illegible] per cent. Approximate selling rate for one-month bank bills 11¾-11[illegible] per cent; two-month 11[illegible] per cent; and three-month 11⅞ per cent; one-month trade bills 12¼ per cent; two-month 11⅞ per cent; and three-month 11¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12 per cent from June 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 9-9½ per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.4209 per cent.

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times. It will be published in an eight-page format on the following dates in the remainder of 1979:

June	12	October	15
July	9	November	12
August	13	December	10
September	10		

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Wall St. mixed again in slow early trading

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THERE WAS again no decided trend on Wall Street yesterday morning. Stocks continued to move irregularly in slow trading as investors worried about the outlook for interest rates and the economy and prospects for continued short supplies of gasoline.

Some Blue Chips managed to harden on bargain hunting, although the Dow Jones Industrial Average was a mere 0.26 up at 821.47 at 1 pm. The NYSE All Common Index slipped 5 cents to $55.99, while declining issues narrowly led gains by a six-to-five ratio. Trading volume contracted to 15.32m shares from last Friday's 1 pm level of 17.27m.

The head of a major U.S. oil company said the price of gasoline would have to rise another 50 cents a gallon to make further domestic oil exploration attractive.

Also in yesterday's early news, Treasury Secretary Blumenthal said the Administration plans to revise and update its wage/price guidelines.

Sterling Drug led the actives list but dipped ⅛ to $19⅛. **McDonnell Douglas**, in second place, fell $2 to $22⅞.

A number of Oil issues improved. **Standard Oil of Indiana**, whose chairman commented on the need for higher gasoline prices, gained ½ to $45⅞. **Exxon** *put on* ⅛ to $49⅞, while **Charter Company**, which recently acquired Carey Energy, rose ½ to $18⅛ in active trading. **Mesa Petroleum** advanced 1⅛ to $48⅞. Phased oil price decontrol began in the U.S. last Friday.

Bunker Ramos eased ⅛ to $27⅛. The Board has rejected a proposal by Fairchild Industries to acquire more Bunker Ramo shares and then merge the two companies.

Reliance Electric, sought by *Exxon for a price of $72 a share*, picked up ¼ to $61.

THE AMERICAN SE Market Value Index advanced a further 1.26 to 189.26 at 1 pm, although total falls held a slight edge over rises. Volume came to 2.35m shares, against last Friday's 1 pm figure of 2.09m.

Dome Petroleum topped the Amex actives list, adding ¾ at $40. Among other Oil issues, **Ranger Oil** climbed 1⅞ to $23⅞, **Imperial Oil "A"** $1 to $29⅛, **Canadian Superior Oil** 1⅛ to $112⅛ and **Total Petroleum (North America)** ⅛ to $23⅛.

Hasbro Industries rose 1⅛ to $7⅛, **Kenai** 1⅛ to $13⅛, **RH Medical** 1⅛ to $13⅞ and **Fairmount Chemical** $1 to $5⅛.

Friendly Frost gained ⅛ to $7⅛. It is to sell a stake in the company to an investor group and hand over control to the group.

Canada

A broad advance in Oil and Gas issues featured firmer-inclined Canadian markets in active early dealings yesterday.

The Toronto Composite Index rose 7.6 further to 1,535.2 at noon, while the Oils and Gas index moved ahead 60.7 to 2,609.8. Golds advanced 29.1 to 1,926.4, but Metals and Minerals shed 0.9 to 1,261.8.

In Montreal, Papers gained 0.22 to 161.50, but Banks declined 0.81 to 293.14.

Among Oil and Gas shares, **Gulf Canada** climbed 3⅛ to C$57, **Shell Canada** 1⅛ to C$24⅛, and **Home Oil "A"** 1⅛ to C$64. **Dome Petroleum**, the most active Toronto issue on 141,207 shares, climbed 1⅛ to C$47.

Dome Mines, which has holdings in **Dome Petroleum**, rose C$1 to C$47. Among other Golds, **Campbell Red Lake** added ⅛ at C$23, but **Pamour Porcupine "A"** slipped ⅛ to C$6⅛.

Inco gained ⅛ to C$25⅛. 11,700 workers in Sudbury, Ontario, have accepted a contract with the company.

Tokyo

After the good recovery in *Saturday's half-day session*, the market suffered a fresh retreat yesterday, with Blue Chips meeting the brunt of the selling pressure.

The Nikkei-Dow Jones Average receded 28.10 to 6,185.71 and the Tokyo SE index fell 2.31 to 445.33.

Trading volume on the first section was about 410m shares, compared with 220m on the full-day session last Friday.

Brokers said that such Blue *Chips as high-priced Light Electricals* declined on a broad front in the face of renewed liquidations.

One broker added that investors are concerned over the recent oil price rises and another possible increase in the Official Discount Rate, and are refraining from buying shares.

Light Electricals and Vehicles weakened, while Steels and Heavy Electricals, which rallied last week, were lower on profit-taking.

Sony fell Y50 to Y1,970. **Pioneer Electronic** Y100 to Y1,970 and **TDK Electronic** Y90 to Y1,640, while **Honda Motors** receded Y17 to Y501. **Fuji Photo Film** Y27 to Y550 and **Toyota Motors** Y7 to 0598.

However, speculative stocks like **Teikoku Oil** and some other *Oil issues advanced on Press re*ports that a **Japanese oil developing company, Egyptian Petroleum Development**, has succeeded in discovering a profitable oil field along the Suez Canal. The Press reports said the field is likely to yield 20,000 to 30,000 barrels a day. **Teikoku Oil**, which owns a 13.1 per cent interest in the oil developing company, advanced Y100 to Y780. **Arabian Oil** rose Y60 to Y5,360 and **Nippon Oil** Y80 to Y1,560.

*Shippings firmed in early trad*ing, while non-ferrous metal concerns **Nippon Mining** and **Dowa Mining** were bought on recent news that prices of their commodities are on the rise.

Ishikawajima-Harima put on Y3 to Y121 on a reported major tanker order from a domestic owner.

Hong Kong

With sentiment unsettled by a larger-than-expected increase *in the Hong Kong money supply* figures, share prices were inclined to relinquish some ground yesterday in quiet dealings on profit-taking. The Hang Seng index shed 3.16 to 554.14.

Much of the day's trading was focused on the Properties sector, where **Cheung Kong** lost 10 cents to HK$10.30, while **Hong Kong Land** and **Sun Hun Kai Properties** receded 5 cents apiece to HK$7.25 and HK$9.75 respectively, but **Hutchison Properties** advanced 20 cents to HK$10.20.

Among the leaders, **Hong Kong Wharf** declined 50 cents to HK$35.00, **Jardine Matheson** 10 cents to HK$11.80, **Wheelock "A"** 7.5 cents to HK$3.425 and **Swire Pacific "A"** 5 cents to HK$8.25.

Milan

In a display of confidence about the country's impending General Election results, stock prices on the Milan Bourse mostly improved afresh in fairly active trading.

All sectors joined in the rise, a continuation of Friday's sharp upward trend, as the count of ballots was near to start amid expectations of a loss of votes for the Communist Party and an advance by the ruling Christian Democrats.

The Banca Commerciale *Italiana index gained 0.54 more* to a new 1979 peak of 80.01.

Rinascente, Sarom and Generali led the market ahead. **Rinascente** was again in heavy demand by an unnamed group reportedly seeking a controlling interest in the Italian chain store group.

Sarom was higher on active speculative buying following rumours of a takeover of a large interest in the oil company.

Fiat advanced L14 to L2,794, **Olivetti Privileged** L19 to L1,275 and **Montedison** L1.5 to L197.5, but **Pirelli** declined L11 to L1,689.

Closing listing of some minor issues, such as **Romana Zuccheri**, was temporarily suspended because their gains had exceeded 20 per cent.

Australia

Markets were mainly quiet, with Mining issues showing a slight bias to lower levels, but Oils and Industrials were firmer-inclined.

Market leader **BHP** provided a feature, advancing to A$9.62 in early trading before reacting to A$9.50 for a net gain of 8 cents.

There were some strong pockets elsewhere in the market, particularly among Textiles, a recent flurry among that sector, with broker Rivking buyin 48 per cent of Bisley and the takeover of Amco by Blue Bell, of the U.S., has prompted traders to take a second look at Textiles stocks.

Retailers mainly hardened despite disappointing retail figures, released last Friday.

Markets closed

Stock Markets in the following countries were closed yesterday for the Whit Monday holiday:—

West Germany, Switzerland, Amsterdam, Belgium, Denmark, Sweden, Norway and Austria.

The Paris Bourse was closed in observance of the Pentecost holiday.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
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NEW YORK

Stock	June 1	May 31
Abbott Labs	31½	31⅛
AM International	15⅞	15⅞
Adobe Oil & Gas	28⅛	28⅛
Aetna Life & Ca.	44½	43⅞
Air Products	27	27
Alcan Aluminium	35⅛	35⅛
Alcoa	53⅜	53⅛
Alleg. Ludlum	18	18⅛

Stock	June 1	May 31
Continental Tele	16¼	16⅜
Wells-Fargo	28	28¼
Western Bancorp	27	26⅞
Western N.Amer	33¾	33⅛
Western Union	20⅝	20⅝
Westing'hse Elec.	17½	17⅝
Weyerhaeuser	28	28¼
Whirlpool	19¼	19⅛
White Con. Ind	25⅝	26
Union Gas	10⅜	10¾
UntdSiscoe Mnes	9⅞	10
Walker Hiram	43	42⅝
West Coast Trans	15	14¾
Weston (Geo.)	26	26½

† Bid. ‡ Asked. § Traded. ‖ New stock.

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Coffee trade counts cost of cold spell

BY RICHARD MOONEY

OFFEE PRICES continued to rge higher on the London tures market yesterday as the ade counted the cost of the ost which hit Brazilian growg areas late last week.

The September quotation imbed to £1,925 a tonne at one age before ending the day 09.5 up on balance at £1,858 tonne—the highest level for year. In the past week the ptember price has gained £350 tonne.

Brazilian shippers put last eek's frost damage to the untry's 1980-81 crop at about 5m bags (60 kilos each) with e state of Minas Gerais losing 5m, Sao Paulo 2.5m, and rana 1.5m.

London coffee traders were ore cautious, however. They doubted that the total damage exceeded 6m bags, or about 20 per cent of the expected crop.

The Brazilian Coffee Institute (IBC) does not plan to attempt an estimate before the end of this week and it may be a month or more before an accurate indication of the damage is available, but the IBC yesterday suspended coffee exports "to be on the safe side."

Last week's frost came a year, almost to the day, after the first scare of the 1978/79 season and the market reaction is remarkably similar. But the current situation differs from last year's in two important respects.

This year's frost has done significant damage to the growing crop whereas last year's had no real effect on production. And on this occasion the frost struck much further north than usual.

The main damage has come in the state of Minas Gerais which lies several degrees north of the Tropic of Capricorn. This tends to confirm the fears of some meteorologists that by clearing the forests to make way for new, more northerly, coffee plantations following the damage done by the great frost of 1975 in the southern state of Parana, the coffee planters have allowed the frost belt to move further north.

Brazil had expected, assuming there was no damaging frost, a 1980-81 coffee crop of about 28m bags. If last week's clod weather wiped out 6m bags or less this could be "bad but not disastrous," one London trader said yesterday. However, since the area hardest hit consisted largely of new plantings there is a serious risk that these trees, as well as their crops, may have been destroyed.

If this is the case it will take four or five years for the plantations to recover fully, but world coffee supply would still be roughly in balance with the current level of demand,' the trader said.

The great danger is that further frosts could strike this year or in subsequent years pushing world coffee supplies firmly into deficit.

For the time being, however, the main concern is over short-term weather conditions. Temperatures in the Brazilian coffee regions rose over the weekend and the immediate danger of further frosts appears to have receded.

However, most of the 4m bags loss from last year's Brazilian coffee crop was due to drought, another suspected result of the gradual deforestation of the country.

In Rio de Janeiro, meanwhile, Agriculture Ministry sources said the frost and cold weather in Brazil would reduce wheat output in Parana state this year by about 6 per cent, reports Reuter.

They said the state was expected to produce about 1.8m tonnes this year out of a total Brazilian production of between 3.8m and 4.2m compared with 2.8m last year.

Accra rising report lifts cocoa

By Our Commodities Staff

NEWS OF an attempted uprising in Ghana and possible disruption of trade between the UK and Nigeria fuelled an upswing in cocoa futures prices on the London terminal market yesterday.

The nearby July position closed £36.5 higher at £1,689 a tonne, while September cocoa ended the day at £1,716.5 a tonne, up £29 on Friday's close.

An announcement on Accra radio that an uprising had been thwarted failed to dissipate the unease in London markets, and traders were also disturbed by Press reports that UK-Nigerian trade could suffer if Britain recognised the government of Zimbabwe-Rhodesia.

In Manila, Mr. Paul Leong, Malaysia's Primary Industries Minister, claimed his country's cocoa output would rise 10-fold by the end of the century.

Basing his figures on assumed yields of 1,200 to 1,500 pounds an acre compared with 395 pounds in Ghana at present, he said Malaysian production would climb to 195,000 tonnes from 19,000 tonnes last year.

Cocoa and palm oil, both more profitable than the traditional rubber crop, were attracting the bulk of new investment cash, Mr. Leong said.

Mexico launches 'Cadillac' of mining world

BY WILLIAM CHISLETT IN MEXICO

LA CARIDAD, the world's second largest open-pit copper mine, in the state of Sonora, North Mexico, was inaugurated last weekend by Sr. Jose Lopez Portillo, Mexico's President.

The $511m complex in arid, mountainous terrain, will start at 25 per cent of its 72,000 tonnes of ore a day capacity. A crushing and concentration plant will produce a maximum of 1,800 tonnes of concentrate a day with between 30 and 32 per cent copper content. Full production could be reached by the end of the year.

Mexicana de Cobre, the 44 per cent publically-owned and 56 per cent privately-owned company controlling the mine, has spent 10 years realising the project.

"It's the Cadillac of the mining world," said one U.S. banker involved in financing the project. A refinery, smelter and lime plant will be added by 1982.

The mine has reserves of 680m tonnes of ore with an average purity of 0.67 per cent copper and 0.02 per cent molybdenum. With the mine Mexico will move from 17th place to sixth place in world copper production. The country's demands can be satisfied with 20 per cent of production and the other 80 per cent will be exported. Contracts have alreayd been signed with West Germany, Bulgaria, South Korea, China, the U.S. and Japan. It is estimated that copper exports could be worth $350m a year.

The lime plant will produce 440 tonnes a day and the smelter will produce 180,000 tonnes of blister-type copper a year. The refinery's production capacity will be 150,000 tonnes of electrolytic copper a year and the plant devoted to the extraction of molybdenum will produce 2,000 tonnes a year of sulphide concentrate.

The mine's production capacity will eventually rise to 90,000 tonnes of ore in order to compensate for the decrease in ore grade without reduction of its copper output. When the purity reaches 0.4 per cent, which is the limit considered acceptable for the concentration plant, an extraction installation for leaching and electrolytic recovery will be added.

It is estimated that investment in the project could total $1bn by the time every stage is finished and that it will take at least ten years to pay this off.

Mining of the deposits is done through the open-pit system from 50-foot high "benches" formed as material loosened by explosives is removed by 120-tonne capacity trucks. The crushing plant reduces the material's size to 20 cm and a conveyor belt, capable of handling 6,700 tonnes an hour, takes the mineral to an area where 400,000 tonnes of ore are stockpiled.

The fine-crushing section will reduce the size of the mineral to less than 13 mm.

Once fine-crushed the mineral is conveyed to silos with room for 60,000 tonnes. These silos feed 12 ball mills in which water is added to the process.

Ore is fine ground and sent to flotation cells where copper values are recovered.

The concentrates, containing between 30 and 32 per cent copper, are filtered and dried to arrive at a material with six per cent moisture content. The mineral is then shipped to smelters in Mexico or exported. Smelting will be done at La Caridad later.

Alcan strike shuts three smelters

BY CHRISTOPHER PARKES

TRIKE ACTION by 7,500 orkers at the weekend knocked ut three of Alcan Aluminium's e Canadian smelters in Quebec d sent the futures prices of uminium sharply upwards on e London Metal Exchange.

The affected smelters have a ombined capacity of 543,000 nnes a year representing 60 er cent of the company's anadian output.

The company immediately eclared *force majeure* on its pply commitments but could ot specify the extent to which s deliveries of ingots and other roducts would be affected.

On the LME three months uminium touched £770 a tonne ring the day before closing ightly easier at £767, up £34.5 n Friday's close. Spot metal osed £37.75 higher at £759.50.

Disruption at the Quebec melters started as workers at e Inco nickel plant in Sudbury oted to end their eight-month rike.

The company said normal production would be resumed as on as possible. Traders in ondon responded with some uncertainty to the declaration of eace, but three months nickel nded the day £32 a tonne lower n the prospect of improved supplies of the metal.

Reports of good physical emand boosted lead prices, ith three months metal rising 19.50 on the day to £603.75. ash lead was up £19 at £656.

Early losses in the copper narket were recouped during the day, the recovery starting with the news of a further fall in official warehouse stocks, and gaining pace in the afternoon following a strong opening in New York.

Three months wirebars ended £11.5 a tonne up at £889.75 and September cathodes were also £11.25 higher closing at £875.25 a tonne.

Stocks in official LME warehouses at the end of last week were: copper 218,800 tonnes (−2,900); tin 1,875 tonnes (+230); lead 1,875 tonnes (+150); zinc 76,400 tonnes (−375); aluminium 22,675 tonnes (+2,275) and silver 20.23m troy ounces (−30,000).

See Mining, page 23

Fall in wool supplies predicted

By Our Commodities Staff

WORLD SUPPLIES of wool could fall next season, starting July 1, because of a sharp drop in carry-over stocks in the main producing countries and in spite of a moderate increase in output, Mr. Michael Godfrey, of the International Wool Textile Secretariat, said in London yesterday.

Mr. Noel Thomas of the New Zealand Wool Board, predicted that by the end of the current season New Zealand would have sold all last year's production as well as 18m kilos from stocks.

By the end of March, sales were running 6 per cent higher than last year.

'Farmers' borrowing to hit new record'

BY OUR COMMODITIES STAFF

BANK BORROWING among farmers is forecast to hit record levels this year as they absorb the impact of a fresh round of severe cost increases.

Fertilisers, feed, chemicals, machinery and transport are all going to go up steeply this year, the North of Scotland College of Agriculture forecasts in its latest review.

The report, to be published later this month, says the greatest impact will be on the price of fertiliser—farmers are urged to order early—with 20 per cent increases affecting haulage and spare parts

The rise in the cost of machinery is slowing and will be around 12 to 15 per cent this year, the report says, but imported spares will be up to 20 per cent more costly.

Animal feed bills may fall during the summer as the new grain crop comes in but by the end of the year they will be some 14 per cent higher than last winter.

Only wages, not expected to be negotiated before December, should remain stable for the rest of the year.

By way of compensation, prices for main farm commodities are expected to remain firm.

Japan to ban whale imports

TOKYO — Japan will shortly ban imports of whale meat and oil from countries outside the 19-nation International Whaling Commission, according to the Agriculture Ministry. "We are in the final stages of adjusting domestic procedures, and it is now a matter of days," a Ministry spokesman said.

The ban will be announced either at or before a general meeting of the commission in London from June 9 to 13.

In 1978 Japan imported 10,432 tonnes of whale meat from non-member countries.

Producers seek tin pact price changes

MANILA — The world's leading tin producing countries will press for higher buffer stock prices at the International Tin Council meeting in London next month, Malaysian Primary Industries Minister Paul Leong said here.

Malaysia, Bolivia and other producers would call for a more realistic price range to reflect rising mine costs and the fact that world tin market prices have been above the ceiling price throughout the past year, he told Reuter in an interview.

The council's price range has been frozen at a floor of 1,350 ringgit a picul and a ceiling of 1,700 ringgit a picul for the past year under a "gentlemen's agreement" in the Council that producers would not seek a price revision in that period.

Producer sources said a range between 1,600 ringgit and 2,000 ringgit a picul would be needed to take full account of the past year's inflation.

On the U.S. Bill to dispose of 35,000 tonnes of tin from strategic stocks, Mr. Leong said Malaysia was concerned that ill-considered releases could strangle producers' efforts to raise output, leading to long-term supply shortages.

Supply and demand projections for this year indicated approximate balance after an 8,500-tonne deficit last year and a 17,500-tonne deficit in 1977 he said.

Apart from the immediate question of prices tin producers will be discussing fundamental reforms of the International Tin Agreement at their June 14 meeting.

Producer demands could include equal producer-consumer sharing of the cost of buffer stock operations, an end to the present one-third blocking vote held by major consumer countries in the ITC, and an increase in the stockpile size to between 30,000 and 40,000 tonnes from 20,000. Reuter

EEC subsidies 'reduce U.S. wheat exports'

WASHINGTON — Officials in the U.S. Special Trade Representative's office announced the U.S. has found that the European community's use of wheat export subsidies has substantially reduced U.S. sales to foreign markets.

But they said a decision had yet to be made on what action should be taken.

Mr. Alan Wolff, deputy U.S. Special Trade Representative, said: "We are concerned with subsidies in agriculture which in particular affect third country markets. We intend to pursue this issue and take whatever steps are necessary to protect the legitimate interests of U.S. agricultural exports."

Other officials said the U.S. could express "strong concern" to the EEC about the subsidies.

Oil, meal prices likely to fall

PRICES for oilseeds, oils, fats and oilmeals are likely to decline considerably during June and July and possibly continue falling in the autumn, according to Oil World.

Meanwhile, net world imports of oilmeal in the year to the end of September will rise 6.9 per cent to 40.48m tonnes.

"This is a rather good increase considering that we are in an 'off-year' within the biennial cycle that developed in past seasons," the publication said.

It is, however, well below the 10 per cent rise seen in 1977-78 and below the average increase of the past four seasons.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Firmer on the London Metal Exchange. After trading between £873 and £884 in the morning, forward metal fell to £874 over the lunchtime period following the lower than expected Comex opening. However, a rally in New York, reflecting short-covering and the absence of any further selling pressure saw the market here move ahead strongly to touch £890 prior to close on the late kerb of £885. The fresh decline in stocks had been widely predicted and had little effect on prices. Turnover 18,550 tonnes.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
Wirebars	£	£	£	£
Cash	866.5-6	+3.25	875-6	+12
3 months	880-1	+4	889.5-90	+11.5
Settl'm'nt	866	+3	—	......
Cathodes				
Cash	842.5-4.5	+1.75	862-4	+9
3 months	864.5-5	+2.25	874.5-5	+11½
Settl'm'nt	844.5	+1.5	—	......
U.S. Smt.	—	......	*81.00-4.25	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £866, 65, three months £883, 82, 83, 84, 83, 82, 81, 80, 80.5. Cathodes, three months £865, 64.5. Kerb: Wirebars, three months £878, 77. Afternoon: Wirebars, three months £885, 84, 85, 86, 87, 88, 89, 89.5, 89, 90, 89.5, 90. Kerb: Wirebars, three months £887, 86.5, 85, 84, 84.5, 85.

TIN—Quietly easier. Forward metal opened around the £7,150 level and fell to £7,100 following freer offerings of cash which caused a narrowing in the backwardation. However, in the afternoon the market steadied following fresh buying and U.S. physical interest which left forward metal at £7,150 on the late kerb. Turnover 1,100 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	7450-60	−187	7550-60	−35
3 months	7120-40	−120	7160-80	−10
Settlem't	7450	−180	—	......
Standard				
Cash	7450-60	−187	7550-60	−35
3 months	7110-20	−112	7150-55	−10
Settlem't	7450	−180	—	......
Straits. E.	‡1990	−2	—	......
New York	—	......	—	......

Morning: Standard, cash £7,450, three months £7,140, 30, 20, 30, 7,100, 10. Kerb: Standard, three months £7,110, 7,100, 10, 20. Afternoon: Standard, cash £7,470, 7,560, 20, 30, three months £7,120, 30, 50, 60, 55. Kerb: Standard, three months £7,150, 70, 80, 70.

LEAD—Strong as fresh buying and covering against good physical demand pushed forward metal from £587 to a day's high of £605 prior to a close on the late kerb of £598. The market was also helped by the strength of copper. Turnover 8,750 tonnes.

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	653-4	+27	655-7	+19
3 months	604-5	+25½	605.5-4	+19.5
Sett'ment	654	+27	—	......
U.S. Spot.	—	......	*54-8	......

Morning: Cash £655, 54, three months £600, 598, 600, 602, 1, 2, 3. Kerb: Three months £603, 2, 1, 600, 599. Afternoon: Three months £600, 1, 2, 3, 4, 5, 3. Kerb: Three months £603, 4, 3, 1, 600, 598.

ZINC—Easier in routine trading with forward metal trading between £357 and £369 before ending the late kerb at £362. Turnover 2,575 tonnes.

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	349-50	−3	351-2	−2
3 months	361-.5	−2.5	365-.5	−1.5
S'ment	350	−3	—	......
Prim. west	—	......	*39.5	......

Morning: Cash £355, 53, 51, three months £367, 65, 63. Kerb: Three months £358. Afternoon: Three months £362, 63. Kerb: Three months £364, 63, 62.

ALUMINIUM—Sharply higher following the Alcan force majeure. Forward metal opened higher at £750 and quickly advanced to £770 on the pre-market. In the rings and on the morning kerb profit-taking pared the price to £757 but fresh buying saw advance in the afternoon prompted a close on the late kerb of £765. Turnover 10,425 tonnes.

Aluminium	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	764-6	+27	758.5-60.5	+57½
3 months	762.5-3	+24½	765.5-7.5	+54.5

Morning: Three months £764, 65, 65.5, 65, 66, 66, 64, 62, 62.5, 63. Kerb: Three months £759, 58, 57. Afternoon: Three months £763, 64, 65, 66, 66.5, 68, 69, 70, 69, 68, 67, 66, 67. Kerb: Three months £768, 66, 65, 64.

NICKEL—Slightly easier. After opening at £3,360 forward metal came back to £3,300 following news that the strike at Inco's Sudbury mines was over. However, renewed buying in the afternoon pushed the price ahead to £3,370 on the late kerb. Turnover 402 tonnes.

NICKEL	a.m Official	+ or −	p.m. Unoffici'l	+ or −
Spot	—	......	—	......
3 months	3310-30	−55	3335-40	−32.5

Morning: Three months £3,350, 60, 50, 3,300, 20. Kerb: Three months £3,310, 3,300. Afternoon: Three months £3,330, 20, 33, 35. Kerb: Three months £3,340, 60, 70.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

Silver was fixed 10.6 an ounce lower for spot delivery in the London bullion market yesterday at 405.7p. U.S. cent equivalents of the fixing levels were: Spot 843.0c, down 20.4c; three-month 863.3c, down 20.9c; six-month 880.3c, down 21.5c; and 12-month 914.9c, down 21.1c. The metal opened at 409-410½p (850-853c) and closed at 405½-406½p (843-845c).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. close	+ or −
Spot	405.7p	−8.8	406.4p	−7.75
3 months	416.8p	−10.6	417.75p	−7.8
6 months	426p	−10.8	—	......
12 months	445p	−11.	—	......

LME—Turnover 233 (203) lots of 10,000 ozs. Morning: Three months 418.5, 18, 17.8, 7.7, 17, 16.2, 6.4, 6.2. Kerbs: Three months 416.2, 16, 15.8, 5.7, 5.5. Afternoon: Three months 418.5, 8.3, 8.4, 8.3, 17.5, 7.8. Kerbs: Three months 417.5, 7.4, 7.3, 7.2, 17, 7.2, 7.4, 7.8, 18.2.

COCOA

Short covering caused cocoa futures to move limit up in thin trading conditions before profit-taking pared gains for prices to close marginally off the day's highs, reported Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
July	1688-1690	+35.5	1697-1660
Sept	1615-1618	+28.0	1725-1692
Dec	1774-1775	+25.0	1780-1755
March	1789-1790	+22.0	1795-1775
May	1800-1805	+21.5	1805-1800
July	1805-1825	+19.0	—
Sep	1825-1835	+21.5	—

Sales: 2,363 (2,433) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price June 1 155.80 (153.47): Indicator prices for June 4: 15-day average 153.93 (153.47): 22-day average 152.54 (152.35).

COFFEE

Robustas opened sharply higher again following confirmation of severe damage to the coffee crops caused by the overnight frost, reported Drexel Burnham Lambert. Trading was erratic for most of the day and all business had to be conducted under the call chairman's jurisdiction with the exception of option trading. Values eventually finished between £60 and £108.5 up from Friday.

COFFEE	Yesterday's Close £ per tonne	+ or −	Business Done
July	1827-35	+108	1910-1808
September	1856-60	+109	1925-1815
November	1861-64	+77.5	1940-1855
January	1870-75	+75.0	1940-1850
March	1865-70	+65.5	1935-1840
May	1860-65	+57.5	1925-1847
July	1850-65	+62.5	1840

Sales: 16,132 (19,500) lots of 5 tonnes.

ICO Indicator prices for June 1 (U.S. cents per pound): Other Mild Arabicas 171.67 (152.17): Robustas ICA 1976 162.00 (149.00): ICA 1968 162.50 (149.50): Colombian Mild Arabicas 175.00 (155.00): unwashed Arabicas 159.00 (same). Comp. daily ICA 1968 164.95 (148.87).

GRAINS

IMPORTED—Wheat: CWRS No. 1, 13½ per cent, unquoted. U.S. Dark Northern Spring No. 2, 14 per cent, June 90.75, July 90.75, Aug. 91.25. U.S. Hard Winter, 13½ per cent, unquoted. EEC unquoted. Maize: U.S./French June 111.25, July 112, transhipment East Coast. South African White unquoted. South African Yellow June 78.00 nominal. Barley: English feed fob Oct./Dec. 91.50, Jan./March 96.50, transhipment East Coast.

HGCA—Location ex-farm spot prices. Feed barley: Cambridge 93.90.

The UK monetary coefficient for the week beginning June 11 is expected to decrease to 1.183.

LONDON FUTURES (GAFTA)—Grains opened 10.15p lower in very thin trading conditions. Values eased in the morning session on commercial selling to close 15-20p lower on wheat and 15-25p lower on barley. A little buying interest was seen in the afternoon session and values improved to close 5-15p higher on wheat and unchanged to 10p higher on barley, Acli reported.

M'nth	WHEAT Yesterday's close	+ or −	BARLEY Yesterday's close	+ or −
Sept.	90.95	+0.15	85.25	......
Nov.	93.95	+0.10	89.00	......
Jan.	97.80	−0.05	92.60	−0.05
Mar.	101.15	+0.05	96.20	+0.10
May.	104.45	+0.05	99.40	−0.05

Business done—Wheat: Sept. 90.95-90.60, Nov. 93.95-93.50, Jan. 97.80-97.55, March 101.00-100.90, May 104.45-104.15. Sales 82. Barley: Sept. 85.25-84.95, Nov. 89.00-88.75, Jan. 92.65-92.50, March nil, May 99.15-99.10. Sales 91.

WOOL FUTURES

SYDNEY GREASY—Close (in order: buyer, seller, business, sales). Micron Contract: July 393.5, 394.0, 393.5-393.0, 10; Oct. 403.0, 403.5, 403.0-402.5, 37; Dec. 404.0, 405.0, 404.5-404.0, 48; March 407.0, 408.0, 407.0-406.5, 5; May 410.0, 411.0, 410.0-409.0, 2; July 416.0, 419.5, nil, nil; Oct. 418.0, 420.5, nil, nil; Dec. 418.0, 424.0, nil, nil. Sales: 102.

LONDON GREASY—Close (in order: buyer, seller—no business done). July 220.0, 230.0; Oct. 220.0, 235.0; Dec. 220.0, 240.0; March/May/July/Oct./Dec. 230.0, 240.0.

NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller—no business done). July 197.0, 200.0; Oct. 196.0, 202.0; Dec./March/May/July/Oct./Dec. 203.0, 209.0.

RUBBER

STEADIER opening on the London physical market. Little interest throughout the day, closing uncertain. Lewis and Peat reported a Malaysian godown price of 309 (305) cents a kilo (buyer, June).

No. 1 R.S.S.	Yesterday's Close	Previous Close	Business Done
July	64.90-65.25	65.50-64.00	—
Aug	65.50-65.70	64.00-64.40	—
Jy-Sept.	65.40-65.55	64.15-64.50	65.75-65.20
Oct-Dec	67.40-67.50	66.10-66.20	67.65-66.40
Jan-Mar	69.55-69.40	68.90-68.05	69.75-68.70
Apr-Jne	71.20-71.30	69.80-69.90	71.55
Jy-Sept.	73.05-73.10	71.75-71.90	73.10-73.00
Oct-Dec	74.95-75.10	73.75-73.95	—
Jan-Mar	77.10-77.15	75.75-75.80	77.10-76.45

Sales: Nil (11) lots of 5 tonnes. 247 (681) at 15 tonnes.

Physical closing prices (buyer) were Spot 64.25p (63.25); July 68.25p (67.0), Aug. 68.25p (670).

SOYABEAN MEAL

The London market opened weaker and moved to show losses of £1 on long liquidation, reported T. G. Roddick. Late in the session the market firmed on concern over n/c plantings which brought renewed speculative buying.

	Yesterday Close £ per tonne	+ or −	Business Done
June	123.50-24.0	−0.25	23.50
August	125.00-25.5	−0.10	125.40-24.20
October	126.40-26.6	−0.20	126.50-25.50
December	126.70-27.0	+0.45	126.80-25.50
February	126.30-27.7	......	—
April	126.50-29.0	+0.15	—
June	127.50-30.0	+0.25	—

Sales: 92 (104) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £98.00 (£97.00) a tonne cif for May-June shipment. White sugar daily price was £105 (£103.50).

Scattered short coverings developed during the morning in thin trading conditions which lifted prices some 50 points. Later, higher New York quotations produced further gains and the market closed at the highs of the day between 125/140 points above first traded levels, reported C. Czarnikow.

Sugar Pref. Comm. Con.	Yesterday's Close £ per tonne	Previous Close	Business Done
Aug.	106.25-06.55	105.60-05.75	106.50-05.75
Oct.	110.30-10.40	107.55-07.80	110.60-08.00
Dec.	114.20-14.30	111.60-11.85	114.50-11.75
March	118.35-18.40	116.40-16.50	118.60-16.50
May	121.25-21.40	119.40-19.60	121.60-21.00
Aug.	125.00-25.15	123.25-25.60	124.00
Oct.	128.25-28.50	126.50-27.50	—

Sales: 2,144 (540) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £279.50 (same) a tonne for home trade and £168 (£167) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Price for June 1. Daily price 7.72 (7.70): 15-day average 7.80 (7.62).

TEA AUCTION

TEA—52,531 packages were deferred at yesterday's London auction. Coloury Assams were well supported but plainer types eased. Bright Africans met strong demand at dearer rates with mediums and clean plain sorts firm. Sri Lanka teas followed a similar pattern, with better liquoring lines a good feature, reported Thomson, Lloyd and Ewart.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 4 1979	+ or −	Month ago
Metals			
Aluminium	£710/60	....	£710
Free Mkt (cs)	$1585/75	+65.0	$1,580/60
Copper			
Cash w'bar	£875.5	+12.0	£993
3 mth „	£889.75	+11.5	£992.75
Cash Cathode	£863	+9.0	£990.5
3 mth „	£875.25	+11.25	£988.7
Gold troy oz.	$275.125	−0.5	$242.625
Lead cash	£656	+19.0	£571.5
3 mth	£603.75	+18.5	£529.5
Nickel	£3117.82	....	£2,750.08
Freemkt(cif)(lb)	280/330c	−20.0	258/80c
Platin'm tr'y oz	£171	....	£159
Free mkt	£207.95	−7.25	£194.85
Quicksil'ver	$335/45	−15.0	$270/80
Silver troy oz	405.7p	−8.6	367p
3 months	416.8p	−10.65	376.5p
Tin cash	£7,540	−35.0	£7,580
3 mths	£7,152.5	−10.0	£7,157.5
Tungsten	$137.52	+0.72	$137.42
Wolfrm 22.04 cif	$142/46	....	$135/40
Zinc cash	£351.5	−2.0	£363
3 months	£363.25	−1.5	£394.75
Producers	$845	....	$800.
Oils			
Coconut (Phil.)	$1,040q	....	$1,090
Groundnut	‡	....	‡
Linseed Crude	£586	....	£411
Palm Malayan	$664r	....	$660
Seeds			
Copra Philip	$710r	....	$730
Soyabean (U.S.)	$309.4r	−1.5	$307
Grains			
Barley Futures	£89y	....	£87.35
Maize			
French No 3 Am	£111.25	....	£112.0
Wheat			
No. 1 Red Spg.	‡	....	‡
No2HardWint.	‡	....	‡
Eng. Milling f.	£107.5x	....	£101.5
Other commodities			
Cocoa ship't	£1,780	....	£1,649
Future July	£1,716.5	+29.5	£1,593
CoffeeF't'rJuly	£1,858	+109.5	£1,546.5
Cotton A'index	74.5c	....	73.4c
Rubber kilo	64.25	....	61p
Sugar (Raw)	£98	+1.0	£95
Wooltp's 64s kl	279p	−1.0	284p

* Nominal. † New crop. ‡ Unquoted. q May-June. r July. s July-Aug. u June. w Sept. y Nov. x Per ton. z Indicator. § Buyer.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 60.0 to 65.0. Eire hindquarters 83.0 to 85.0, forequarters 42.0 to 44.0. Veal: Dutch hinds and ends 98.0 to 101.0. Lamb: English small (new season) 80.0 to 90.0, medium 70.0 to 90.0. Imported frozen: NZ PL 52.0 to 52.5, PM 51.0 to 52.0. Hoggets: English 40.0 to 64.0; Scottish 40.0 to 64.0. Pork: English, under 100 lb 34.5 to 44.0, 100-120 lb 34.5 to 42.5, 120-160 lb 34.0 to 41.5.

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 84.92p per kg liveweight (+4.28). UK—Sheep 197.5p per kg edcw (+4.3). GB—Pigs 58.8p per kg liveweight (+1.1). England and Wales—Cattle numbers down 13.9 per cent, average price 85.73p (+4.79); sheep up 3.8 per cent, average 198.0p (+4.7); pigs down 17.5 per cent, average 58.5p (+1.0). Scotland—Cattle down 0.9 per cent, average 83.12p (+3.25); sheep up 34.2 per cent, average 180.7p (−5.7); pigs up 2.6 per cent, average 61.8p (−0.4).

COVENT GARDEN—Prices in sterling per package except where otherwise stated. Imported produce: Oranges—Israeli: Valencia Lates 4.40-5.50: Cyprus: 5.00-5.80; Brazilian: 4.50-5.00; S. African: Navels 4.10-5.00. Lemons—Italian: 100/120's 4.90-5.00: Spania: Trays 30/40/45 1.80-2.20; S. African: 5.00-6.20; Brazilian: Trays 2.80. Grapefruit—Cyprus: 4.00-4.80: Israeli: Jaffa 35/88 4.00-4.50; S. African: 30/64 3.30-3.90. Apples—S. African: Granny Smith 6.50-7.00, White Winter Pearmain 5.00-5.50, Starking 5.80-6.20. Golden Delicious 6.40-7.40: New Zealand: Cox's Orange Pippins 7.50-8.70. Golden Delicious 6.80, Red Delicious 7.00; Tasmanian: Jonathans 5.50-5.60, Cox's Orange Pippins 7.00-8.30, Golden Delicious 4.60-4.80: W. Australian: Granny Smith 6.50; Washington: Red Delicious per box 8.00-10.00; French: Golden Delicious 72's 2.30-2.50, 84's 2.20-2.30, Jumble pack per pound 0.08-0.10: Italian: Golden Delicious per pound 0.07-0.08, Rome Beauty 0.09: Dutch: Golden Delicious jumble pack 22 lb 1.40-1.50. Pears—S. African: Cartons Beurre Bosc 6.50-6.80, Packham's 8.30, Nelis 6.80. Bananas—Jamaican: Per 28 lb 4.20-4.40. Grapes—S. African: Cartons, Barlinka 4.80, New Cross 5.40, Golden Hill 6.50, Emperor 4.70, Almeria 7.00: Israeli: Perlette 5.00. Peaches—Spanish: B's 5.50. Apricots—Spanish: 2.50-3.50. Strawberries—Italian: Approx. ½-pound punnets 0.25-0.30. Cherries—French: 0.35-0.40 per pound: Cyprus: 0.60. Avocados—S. African: 2.80-3.00. Onions—Dutch: 2.49-3.30; Chilean: 4.50; Canary: 4.50; Israeli: 5.00; Texas: 4.50; Spanish: 3.50. Tomatoes—Jersey: Per tray 3.60; Dutch: 2.70-3.80; Guernsey: 3.50-4.00. Cabbages—Dutch, White, net 5.00. Potatoes—Egyptian: 50 lb Spanish: 3.50. Tomatoes—Jersey: Per pound 0.15-0.16; Greek: 4.20-4.40; Italian: 4.60; Spanish: Majorcas 6.00; Israeli: 4.40; Brittany: 6.50. Capsicums—Canary: 5-kg 3.00-3.80; Spanish: 6 kilos 4.00. Carrots—Cyprus: 10 kilos 3.20: Italian: approx. 22 lb 3.00-3.20: Texas: Per pound 0.17; French: 12 kilos 4.00. Asparagus—Californian: Per pound 0.90-1.00.

English produce: Potatoes—New crop per pound 0.15, old crop per 25 kg 2.40-2.80. Lettuce—Per 12 round 0.80-1.20. Mushrooms—Per pound 0.50-0.70. Apples—Per pound Bramley 0.04-0.09. Beetroot—Per 28 lb 1.00. long 1.80. Carrots—Per 28 lb 2.30-3.20. Onions—Per 28 lb 2.20-2.80. Rhubarb—Per pound outdoor 0.03-0.05. Tomatoes—Per 12 lb 3.40-3.60. Cucumbers—Tray 8/18's 2.00-2.80, prepack 3.20-3.40. Cauliflowers—12's 4.00-5.00. Spring Greens—Per crate Kent 0.80-1.20. Asparagus—Per pound 0.50-0.70. Celery—Boxes 12/30's 3.50-4.50. Strawberries—Per ¼-pound 0.20-0.25.

AMERICAN MARKETS

NEW YORK, June 4.

PRECIOUS METALS closed higher on renewed Commission House and speculative buying. Copper finished steady on speculative buying. Cocoa closed strong on new Commission House and Chartist buying. Sugar closed very steady on Commission House and Chartist short-covering. Coffee closed limit bid in pools on continued weather fears, Bache reported.

Cocoa—July 153.80 (150.40), Sept. 157.00 (153.70), Dec. 160.00, March 161.25, May 162.35, July 163.45, Sept. nil.

Copper—June 78.80 (78.80), July 80.30 (79.30), Aug. 80.85, Sept. 81.40, Dec. 82.50, Jan. 82.70, March 83.20, May 83.50, July 83.75, Sept. 83.95, Dec. 84.25, Jan. 84.30, March 84.40.

*Gold—June 275.50 (272.80), July 277.70 (274.70), Aug. 279.90, Oct. 284.60, Dec. 289.30, Feb. 294.10, April 298.90, June 303.70, Aug. 308.50, Oct. 313.30, Dec. 318.10, Feb. 322.90, April 327.80.

*Platinum—June 427.90 (436.00), July 427.90 (437.40), Aug. nil, Oct. 427.90, Jan. 429.40, April 431.40, July 433.50, Oct. 435.80, Jan. 438.10.

§Silver—June 855.5 (848.0), July 861.5 (856.6), Aug. 868.3, Sept. 875.0, Dec. 893.8, Jan. 899.4, March 910.8, May 922.2, July 933.6, Sept. 945.0, Dec. 963.0, Jan. 968.8, March 980.3. Handy and Harman spot 845.00 (857.00).

Tin—695.00-718.00 asked (705.00-718.00).

CHICAGO, June 4.

Lard—Chicago loose 25.25. New York prime steam not available.

‡‡Maize—July 260-269½ (267), Sept. 273-273½ (270½). Dec. 277-277½. March 285½-285¼, May 291, July 293½.

Pork Bellies—July 43.50-43.85 (43.10), Aug. 41.65-41.75 (41.30), Feb. 44.40-44.50, March 44.40, May 45.20 asked, July 45.90, Aug. 44.90 bid. Sales, 5,919.

Silver—June 85.75-85.60 (85.00), July 86.10 (85.63), Aug. 86.50-86.60, Oct. 87.80-87.75, Dec. 89.10-89.30, Feb. 90.40-90.45, April 91.47-91.48, June 92.65, Aug. 93.80, Oct. 94.95, Dec. 96.10, Feb. 97.25, April 98.05, June 99.25, Aug. 100.50, Oct. 101.75, Dec. 103.00, Feb. 104.25, April 105.50.

§Soyabeans—July 738½-737½ (734¼), Aug. 744-743 (738¼), Sept. 737½-738, Nov. 731-730½, Jan. 740½-741, March 752½, May 761, July 765.

‖Soyabean Meal—July 198.70-198.80 (195.80), Aug. 198.70 (197.30), Sept. 199.80, Oct. 198.70-199.00, Dec. 200.10-200.50, Jan. 201.80, March 204.50-204.30, May 206.00, July 206.50.

Soyabean Oil — July 25.83-25.88 (25.73), Aug. 26.00 (25.90), Sept. 26.15-26.20, Oct. 26.10, Dec. 26.02-26.08, Jan. 26.05-26.10, March 26.15-26.20, May 26.30, July 26.25, Aug. 26.25-26.30.

‡Wheat—July 370½-372 (369½), Sept. 375½-376¼ (374½), Dec. 388-388½, March 397, May 397.

WINNIPEG, June 4. §Rye—July 112.70 bid (111.50), Oct. 111.40 (110.50), Dec. 108.3 bid, May 109.55 bid.

§Barley—July 95.40 (96.00 asked), Oct. 93.80 (94.00-94.30), Dec. 91.70 asked, March 91.20 asked, May 91.70 asked.

§Oats—July 94.10 (94.10 asked), Oct. 91.80 bid (91.80 asked), Dec. 89.10 asked, March 87.70 asked, May 90.00 asked.

§Flaxseed—July 322.80 bid (322.50), Oct. 314.30 asked (314.50 bid), Nov. 308.30 asked, Dec. 300.60, May 300.00 bid.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 197.00 (195.75).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. § Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

INDICES

FINANCIAL TIMES

June 1	May 31	M'nth ago	Year ago
284.93	279.20	277.00	252.46

(Base: July 1, 1952=100)

MOODY'S

June 1	May 31	M'nth ago	Year ago
1066.1	1068.1	1065.0	922.8

(December 31, 1931=100)

DOW JONES

Dow Jones	June 1	May 31	Month ago	Year ago
Spot	394.48	391.72	392.64	355.06
F'tur's	402.62	399.36	398.09	364.68

(Average 1924-25-26=100)

REUTERS

June 4	June 1	M'nth ago	Year ago
1574.9	1568.4	—	1515.4

(Base: September 18, 1931=100)

Plan to boost Burma rubber

By Our Own Correspondent

RANGOON — Burma has launched a four-year programme to rehabilitate its rubber industry, and state-owned rubber estates and rubber processing facilities in the Tennasserim region of south Burma are to be modernised.

Improving estate management and operation, and advice on best techniques of processing and research will cost about $800,000, of which the UN is providing $684,400 as a technical assistance grant.

Implementation of the programme will be financed by a loan from the World Bank.

Production from the country's 215,000 acres of rubber plantations—58,000 acres state-owned and the rest made up of small privately-owned holdings—has fallen from around 25,000 tons in 1962 to 15,000 tons last year.

A feasibility study on rubber rehabilitation was carried out three years ago by Burmese agriculture officials and Harrison Fleming of Britain.

Adverse background influences drag equities lower before technical rally reduces losses after-hours

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
May 21	May 31	June 1	June 12
June 4	June 14	June 15	June 26
June 18	June 28	June 29	July 10

* "New time" dealings may take place from 9.30 am two business days earlier.

The new trading which covers the Conservative Government's first Budget began on a sour note yesterday. Equities were still overshadowed by the oil crisis, highlighted by the Franco/German opposition to U.S. oil subsidies, inflationary and pay problems plus a couple of uninspiring surveys about economic prospects. Leading shares, therefore, soon lost ground.

Short-dated Government stocks also came under pressure on discount house selling, although overall trade was relatively light because funds available for investment were depleted by the final call amounting to £420m on Exchequer 11 per cent 1991. A disposition to await today's banking figures was also noted, particularly at the longer end of the market where quotations remained at Friday's list levels.

Any lingering hope that views on the Chancellor's intentions next Tuesday might galvanise institutional investors into action were quickly dashed and within 90 minutes of business the leaders were showing falls of several pence. The FT 30-share index measured this decline with a loss of 7.5 at 11 am, although part of the fall was accounted for by **Beecham, Boots** and **Courtaulds** being quoted ex their respective dividends.

Subsequently, the tendency settled and late in the afternoon a good technical recovery developed which continued after-hours and the index was, at 510.9, finally only a net 2.6 down with 1.4 of the loss attributed to the dividend deductions of the above-mentioned stocks.

Short-dated British Funds reacted in the face of offerings thought to stem from discount houses. Buyers appeared to be awaiting today's eligible banking liabilities and quotations ended at the day's lowest with losses extending to ⅜. On the other hand, medium and longer-dated stocks closed unmoved after an extremely light trade. News that trade returns for three months would be announced on Friday came too late to affect sentiment.

A routine business made no great impression on rates for investment currency which hovered either side of Friday's closing premium before settling marginally easier at 51¾ per cent. Yesterday's SE conversion factor was 0.8260 (0.8263).

Yesterday's closing total of 417 was the lowest number of contracts completed in the Traded Option market since January 29 when the figure amounted to 411. Not one deal was completed in ICI but 93 were done in GEC and 84 in **Cons. Goldfields.**

B. and Q. (Retail), which staged a highly successful debut last week, encountered profit-taking following Press comment and eased 4 to 83p.

NatWest dip and rally

A Press suggestion that the bank would soon announce a sizeable fund-raising call unsettled **NatWest** which drifted to 336p before rallying late to close unaltered at 342p. Other major clearers eased in sympathy and **Barclays** and **Lloyds** relinquished 3 apiece to 462p and 322p respectively. Discount houses made good progress in the late trade and closed with rises ranging to 15; **Allen Harvey and Ross** ended that much better at 355p, while **Jessel Toynbee** added 7 to 69p as did **Union,** to 362p, and **Cater Ryder** appreciated 6 to 331p. Among irregular merchant banks, **Schroders** firmed 15 to 530p in a thin market.

Insurances plotted an irregular course in thin trading. **Christopher Moran** cheapened 2 to 35p on the announcement that Lloyds of London is launching an emergency enquiry into the affairs of a subsidiary.

Scattered offerings and the absence of support left Breweries at slightly lower levels. Against the trend, **Scottish and Newcastle** hardened a shade to 73p in response to weekend Press mention.

Leading Buildings passed a quiet session and closed little changed on balance, but secondary issues displayed one or two useful improvements. A fairly brisk trade developed in **Brown and Jackson** which, in its slimmed-down form, put on 19 to 205p xc. Reflecting the improved annual results, **Francis Parker** firmed 1½ to 25½p. **Mallinson-Denny** added 2½ to 68p on vague bid rumours and still reflecting the annual results, **Wettern Brothers** firmed 4 for a two-day gain of 8 to 122p. Buyers came in for **Ruberoid** which put on 3 to 51p.

ICI traded between narrow limits and settled at 375p for a net gain of 2. Among other Chemicals, **British Benzol** found support and firmed 2 to 45p but, awaiting today's annual results, **Carless Capel** eased a penny to 39p.

Stores displayed no set trend following a moderate business. **Martin the Newsagent** rose 6 to 270p in response to the increased interim profits, while **Hardy and Co. (Furnishers)** gained 9 to 145p following the chairman's further strong rejection of the bid from Harris Queensway. **Time Products** hardened 5 to 247p xd on Press comment and **Helene of London** edged forward a penny to 29½p for a similar reason. Renewed speculative demand on bid hopes lifted **Moss Bros.** 5 more to 280p. The chairman's revelation in his annual statement that the group incurred a loss in the first quarter of the current year left **Cope Sportswear** 3 off at 52p while, among the leaders, **UDS** dipped 3½ to 102p xd and **Marks and Spencer** softened 2 to 117p.

After last week's speculative surge of 39 on bid hopes, **Stylo Shoes** fell 16 to 135p on profit-taking following the chairman's reported denial.

GEC drifted down to 398p on scrappy selling before recovering to close only 3 down on balance at 403p. Elsewhere in the Electrical leaders, **EMI,** unaltered at 106p, failed to benefit from the sale of 36 of its restaurants to Bejam for £4.78m. Among secondary issues, **Sound Diffusion** encountered buyers at 123p, up 9, while **Dreamland** firmed 4 to 53p and **Ferranti** improved 9 to 406p. Fresh selling, however, left **Decca "A"** 5 down at a low for the year of 305p.

Apart from **John Brown,** 8 cheaper at 319p, the Engineering leaders picked up from a dull start to close little altered on balance. Elsewhere, **Edgar Allen Balfour** improved 5 to 68p on the share exchange offer and cash alternative worth just over 69½p from **Aurora Holdings** which gave up 3 to 87p. Late demand prompted a gain of 8 to 158p in **Baker Perkins.** Fresh buying in a restricted market lifted **G. Whithouse** 15 to 190p, while other firm spots included **Deritend,** 6 up at 170p, and **W. G. Allen,** 4 to the good at 44p. **Anderson Strathclyde** hardened 2 to 68p in response to favourable weekend Press mention. On the other hand, fears that the Monopolies Commission may investigate the bid from GKN prompted a little nervous selling of **Sheepbridge** which eased 2 to 101p, after 100p.

Leading Foods all but recovered early falls, but **Northern** ended 2 off at 124p awaiting today's interim results. Elsewhere, **Bernard Matthews** improved 4 to 234p and, in a thin market, **Hillards** added 9 to 318p. Despite the lower half-yearly profits, **Albert Fisher** firmed ½ to 10p, but small selling left **Taverner Rutledge** 4 cheaper at 56p.

Leading Hotels and Caterers gave ground on scattered offerings and lack of support. **Grand Metropolitan** and **Trust Houses Forte** eased 4 apiece to 151p and 166p respectively. Ahead of Thursday's annual results, **Brent Walker** slipped 3 to 97p.

De La Rue firm

Miscellaneous Industrial leaders got the Budget Account off to a quiet and mixed start. For the first time since the disappointing results were announced on May 24, **Beecham** moved upwards, rallying 8½ to 567p xd, while **Unilever** closed a like amount better at 608p. **Glaxo** firmed 7 to 477p but **Reckitt and Colman** relinquished 5 to 470p and **Reed International** 5 to 185p. Elsewhere, small investment demand in front of today's results helped **De La Rue** improve 7 to 477p, while renewed speculative buying on bid hopes lifted **Thermal Syndicate** 4 more to 150p, after 154p. Press comment prompted a rise of 4 to 74p in **Central Manufacturing and Trading** and further buying on consideration of the company's North Sea oil interests left **Cawoods** up 3 more at 213p. **Jacksons Bourne End,** in which Dawngrange and Rossminster Holdings hold nearly 59 per cent of the equity, jumped 18 to 160p, while improvements of 6 and 9 respectively were seen in **Norman Hay,** 64p, and **Neil and Spencer,** 196p. Still responding to an investment recommendation, **Ricardo** added 6 more to 342p. **IAS Cargo,** which recently announced that merger discussions with a subsidiary of Trafalgar House's Cunard Steam Ship Company, improved 3 to 124p. **J. Dykes** fell 6½ more to 37½p on further consideration of the disappointing results. **Valor** encountered profit-taking after last week's good rise ahead of the results and finished 5 lower at 85p.

The Leisure sector featured **Management Agency and Music** which firmed 10 to 185p xd on renewed speculative interest.

Lucas responded to the appearance of small buyers and improved 6 to 296p, while a favourable Press mention lifted **Kwik-Fit** 2 to 60½p. Among Garages, renewed speculative demand took **Harold Perry** up 7 to 166p but, awaiting Thursday's interim results, **T. Cowie** eased ½ to 50½p.

Poster concerns often benefited from favourable weekend Press comment. **More O'Ferrall** put on 6 to 133p and **Mills and Allen** improved a couple of pence to 247p. Elsewhere, recently firm **Saatchi and Saatchi** encountered profit-taking and shed 5 to 213p and, ahead of tomorrow's interim results, **McCorquodale** eased 2 to 130p.

Bernard Sunley put on 18 to 368p as bid rumours revived, while a small country interest in a thin market prompted a gain of 15 to 130p in **Carrington Investments.** Elsewhere in the Property sector, **Land Securities** finished a penny cheaper at 306p xd, after 303p. **Hammerson "A"** relinquished 10 to 840p and **Stock Conversion** eased 4 to 374p. **MEPC** were quoted at 170p ex-all; the new nil paid shares opened at 17p premium and slipped to 15p premium before settling at 16p premium.

Oil shares continued to benefit from the recent fresh round of crude oil price rises. **British Petroleum** pushed ahead further to close at the day's best of 1,168p, up 24p. **Shell,** however, were quoted ex the 100 per cent scrip issue, at 378p, down 3, with trade described as disappointing. Still reflecting the good first quarter results, **Ultramar** improved 8 more to 294p. **Tricentrol** gained 6 to 234p and **Lasmo OPS** rose 15 further to 780p, while **Burmah** firmed 5 to 121p.

Shippings traded firmly with **Lofs** particularly good at 48p, up 4. **P and O Deferred** improved 2 to 101p and **Ocean Transport** a penny to 95½p, while speculative demand was again forthcoming for **Hunting Gibson** which advanced 15 further to 230p.

Textiles passed another uninteresting trading session, but fresh scattered support lifted **Sirdar** 2 to 114p, while the encouraging tenor of the annual statement left **Tootal** a penny dearer at 45p.

Ahead of their respective preliminary statements due on Thursday, **Guthrie** hardened 2 more to 600p and **Warren** rose 5 to 133p.

Quiet Mines

Mining markets began the week in subdued fashion. Interest in gold shares was minimal reflecting the 50 cents fall in the bullion price to $275.125 an ounce, and the closure of Continental markets—the source of much of the recent demand for Golds.

After being marked down at the outset prices held steady until the after-hours business when modest American support helped them edge higher. The Gold Mines index gave up 1.0 to 194.3, while the ex-premium index lost 0.9 to 180.5.

South African Financials were quietly mixed. **Anglo American Corporation** reacted 12 to 416p and **Union Corporation** 4 to 446p, but **De Beers** gained a further 6 to 427p.

Coal stocks remained a strong market with new 1979 highs common to "Amcoal," ½ up at £10⅛, **Transvaal Consolidated Land,** ½ firmer at £19¼ and **Rand London,** 2 better at 71p.

London-registered Financials reflected the pressure on the UK equity market, although prices tended to rally towards the close. **Gold Fields** were the hardest hit with a 9 fall to 252p, after 250p, while **Charter** and **Rio Tinto-Zinc** were both around 5 cheaper at 156p and 307p respectively. **Tanks** were unaltered at 186p in front of the interim results expected today.

In a dull Australians section **Conzine Riotinto** slipped 5 to 228p following the acquisition of **Kaiser Steel's** 28.3 per cent interest in **Hamersley;** the latter were 3 harder at 176p.

LONDON TRADED OPTIONS

Option	Ex'rc'se price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	1100	98	—	[illegible]	3	175	—	1166p
BP	1200	45	5	82	4	116	2	"
BP	1300	14	11	42	—	75	—	"
Com. Union	200	1	—	3	—	6	4	155p
Cons. Gold	220	40	25	49	—	—	—	252p
Cons. Gold	260	11	27	19	14	28	10	"
Cons. Gold	280	5	—	13	—	18	10	"
Courtaulds	100	10	15	14	—	17	—	104p
Courtaulds	110	4½	10	9	—	12	—	"
Coutraulds	150	1	4	—	—	—	—	"
GEC	390	33	4	51	—	71	—	402p
GEC	420	16	11	34	1	51	—	"
GEC	460	6	66	19	—	37	11	"
Grand Met.	140	16	—	23	3	30	—	149p
Land Secs	280	35	15	50	—	63	—	306p
Land Secs	330	7	50	21	—	35	—	"
Marks & Sp.	130	3¼	9	9	—	14	—	117p
Shell	325	64	—	69	3	—	—	378p
Shell	375	25	5	34	—	49	—	"
Shell	400	15	12	25	1	38	—	"
Totals			248		27		37	
		August		**November**		**February**		
BOC Intl.	80	5	—	8	10	10	1	78p
Boots	220	7	—	12	1	19	—	202p
Boots	240	2	1	6	20	—	—	"
EMI	110	13	—	20	—	27	2	106p
EMI	120	8	6	14	1	24	5	"
RTZ	300	27	39	45	—	57	—	307p
RTZ	350	13	29	29	—	40	—	"
Totals			65		53		8	

FINANCIAL TIMES STOCK INDICES

	June 4	June 1	May 31	May 30	May 29	May 25	A year ago
Government Secs.	72.93	72.91	72.91	72.93	72.70	72.70	[illegible]
Fixed Interest	75.20	75.20	75.16	75.14	74.98	74.98	[illegible]
Industrial	510.9	513.5	513.6	511.8	510.0	505.4	[illegible]
Gold Mines	194.3	195.3	196.3	189.3	197.6	187.4	[illegible]
Gold Mines (Ex-$ pm)	160.5	161.4	162.9	155.9	159.5	151.0	[illegible]
Ord. Div. Yield	5.78	5.78	5.79	5.80	5.78	5.84	[illegible]
Earnings Yld. % (full)	15.26	15.27	15.30	15.63	15.48	15.75	[illegible]
P/E Ratio (net) (*)	8.39	8.39	8.37	8.22	8.30	8.14	[illegible]
Total bargains	16,077	—	—	—	—	—	[illegible]
Equity turnover £m.	—	91.20	83.56	62.69	62.94	74.26	[illegible]
Equity bargains total	—	14,398	17,894	12,587	13,380	12,363	[illegible]

10 am 509.8. 11 am 500.0. Noon 505.8. 1 pm 505.8. 2 pm 506.0. 3 pm 508.9

Latest Index 01-246 8026.

*Nil = 8.07.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex $ premium index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979 High	1979 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/5)	64.64 (2/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (5/5)	66.03 (15/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	446.1 (12/2)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	197.6 (29/5)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines Ex-$ pm	162.9 (31/5)	95.2 (2/1)	337.1 (3/4/74)	54.3 (25/6/75)

S.E. ACTIVITY

	June 4	June 1
Daily		
Gilt Edged	96.0	[illegible]
Industrials	167.0	[illegible]
Speculative	34.5	[illegible]
Totals	99.9	95.7
5 d'y Av'r'ge		
Gilt Edged	93.8	[illegible]
Industrials	157.3	[illegible]
Speculative	45.7	45.8
Totals	96.7	95.7

NEW HIGHS AND LOWS FOR 1979

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979.

NEW HIGHS (47)

BUILDINGS (4)
Brown & Jackson; Finlan (J.); Burnett & Hallamshire; Nottingham Brick

CHEMICALS (1)
Norsk Hydro

STORES (5)
Greenfields; Stanley (A. G.); Home Charm; Vantona; Moss Bros.

ENGINEERING (3)
Allen (E.) Balfour; Whitehouse; Green's Economiser

FOODS (1)
Hillards

INDUSTRIALS (11)
Burns Anderson; Le Bas (Edward); Cawoods; Myson; Central Mfg.; Neil & Spencer; Ferguson Inds.; Siebe Gorman; IAS Cargo Air; Thermal Syndicate; Do. GocCony Prof.

NEWSPAPERS (1)
Websters Publications

PROPERTY (3)
Carrington Inv.; Warner Estate; County & District

SHIPPING (2)
Hunting Gibson; P & O Defd.

TRUSTS (2)
M. & G. Dual Inc.; Tor Invest. Inc.

OILS (2)
LASMO; Do. "Ops"

RUBBERS (1)
Guthrie Corp.

MINES (11)
East Daggafontein; Anglo-Am. Coal; Vlakfontein; Gold Fields SA; Doornkraal; Rand London; Libanon; Transvaal Cons.; West Drie; Falcon; F.S. Saaiplaas

NEW LOWS (29)

AMERICANS (4)
Chrysler; Kaiser Aluminium; Colgate-Palmolive; Manf. Hanover

CANADIANS (4)
Bank of Nova Scotia; Royal Bank of Canada; Canadian Imp. Bank; Toronto Dominion Bk.

BANKS (1)
Wells Fargo

ELECTRICALS (1)
Decca "A"

ENGINEERING (5)
Al Ind. Products; Ley's Foundries; British Northrop; Richards (Leicester); Hallite

FOODS (1)
Tavener Rutledge

INDUSTRIALS (5)
Beecham; Kershaw (A.); Dykes (J.); Rank Org.; Esperanza

LEISURE (1)
Highgate Optical

PAPER (1)
Waddington (J.)

TRUSTS (3)
Clydesdale Inv. "B"; Haw Par; Crescent Japan

MINES (3)
Bougainville; Tara Expln.; Endeavour

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	15	70
Corpns. Dom. and Foreign Bonds	9	2	53
Industrials	262	305	[illegible]
Financial and Prop.	64	175	[illegible]
Oils	17	3	[illegible]
Plantation	5	8	[illegible]
Mines	32	55	[illegible]
Others	43	43	[illegible]
Totals	433	607	1,3[illegible]

STOCK EXCHANGE BUSINESS LAST MONTH

Improvement in equities: gilt-edged decline

BY GEOFFREY FOSTER

TOTAL Stock Exchange turnover in May contracted as confidence deteriorated on concern about inflationary and other economic pressures.

Business in all securities dropped by £2.2bn, or 15.8 per cent, on the month to £11.96bn. The total number of bargains transacted declined by 46,245 to 516,355 despite the fact that there were two more trading days in May than in April. The Financial Times Stock Exchange turnover index for All Securities fell from 435.5 in the previous month to 366.5 in May; the 1978 monthly average was 354.3.

A sharp contraction in gilt-edged business was responsible for the overall reduction in trade. Business volume in this market declined £1.8bn, or 17.4 per cent, to £8.6bn, the lowest since January's £7.6bn. A 25 per cent fall of £1.6bn to £4.8bn took place in short-dated stocks, while trade in the longer and medium-dated securities fell a mere 5 per cent to £3.78bn.

The number of gilt-edged bargains fell by 5,152 to 58,449 comprising a 3,179 fall to 37,634 in longer and medium-dated stocks and one of 1,973 to 20,815 in the shorts.

The FT turnover index for British Government Securities fell from April's 440.9 to 364.1, which compares with last year's monthly average of 369.2.

Gilt-edged prices, after a bright start, drifted lower during the month on concern about inflation, both at home and in the U.S. and other economic pressures which faced the Tory administration particularly regarding meeting its manifesto promise to cut both taxation and public spending.

The prospect of further institutional monies being drained by more equity rights issues (£250m of shareholders' cash was called for in May making it the largest monthly figure for three years), interest rate uncertainties and nervousness ahead of next Tuesday's Budget served to keep potential investors of the sidelines.

The FT Government Securities index, after touching a 1979 peak of 75.91 on May 4 following the Conservative's election victory, drifted down steadily to close the month 2.43 points off at 72.91.

After April's 40 per cent reduction from the all-time peak of £3.74bn attained in March, equity turnover picked up last month by £0.02bn to £2.25bn. The number of bargains, however, decreased by 37,226 to 414,756 but the average value per bargain was £505 dearer at £5,436.

The FT turnover index for ordinary shares in May was 402.3 compared with April's 397.7 and the all-time-peak of 667.3 attained in March.

Equity prices started May in buoyant mood, reaching record levels in the first week in celebration of the expected Conservative victory. However, quotations drifted lower on persistent profit-taking and the general unwillingness of investors to commit themselves any further ahead of next Tuesday's Budget.

Growing pressures on world oil prices and supplies together with disappointing trading statements from several leading companies and the steady stream of rights issues also served to depress sentiment.

After rising 20.5 points in April, the FT Industrial ordinary share index rose to an all-time peak of 558.6 on May 4 before falling away sharply to close May a net 37.7 points, or nearly 7 per cent, lower at 513.6.

Gold shares moved to 1979 peak levels last month in sympathy with a fresh upsurge in the price of gold bullion which jumped over $29 an ounce on the month to close at a record $275.625 an ounce.

The FT Gold Mines index jumped 45.9 points to end the month at 196.3, after touching a 1979 peak of 197.6 on May 29.

Category	Value of all purchases and sales £m	% of total	Number of bargains	% of total	Average value per day £m	Average value per bargain £	Average no. of bargains per day
British Govt. and British Govt. Guaranteed:							
Short dated (having five years or less to run)	4,824.4	40.3	20,815	4.0	229.7	231,777	991
Others	3,778.0	31.6	37,634	7.3	179.9	100,388	1,792
Irish Govt.:							
Short dated (having five years or less to run)	331.9	2.8	2,083	0.4	15.8	159,358	99
Others	222.1	1.9	2,201	0.4	10.6	100,913	105
UK local authority	379.7	3.2	6,251	1.2	18.1	60,738	298
Overseas Govt.:							
Provincial and municipal	12.6	0.1	1,337	0.3	0.6	9,399	64
Fixed interest stock, preference and preferred ordinary shares	158.4	1.3	31,278	6.1	7.5	5,066	1,489
Ordinary shares	2,254.6	18.8	414,756	80.3	107.4	5,436	19,750
Total	11,961.8	100.0	516,355	100.0	*569.6	*23,166	*24,588

* Average of all securities.

Calcutta port investment

A Rs 1bn (£60m) modernisation plan has been drawn up by Calcutta Port Trust Authorities, spread over the next five years.

As the first phase of this programme, the Port Trust Authorities propose to replace a large proportion of cranes, locomotives and machine shop equipment which are considered obsolete.

Some of the new equipment may have to be imported since replacements are needed immediately and there may not be sufficient domestic capacity to cope with the volume.

The port authorities expect that Calcutta and Haldia together will need to handle cargo traffic of at least 11m tonnes this year as against 8m tonnes in 1978-79.

Calcutta Port has in the past handled 11m tonnes but subsequently, due to frequent labour trouble, inadequate draught in the Hooghly river and the obsolete character of a fair part of the equipment, the traffic volume dropped to 6-7m tonnes.

Commissioning of the Haldia auxiliary port has improved the total cargo handling capacity but only by about 1m tonnes.

To get to the level of 11m tonnes substantial modernisation of the facilities of Calcutta port are immediately needed. Hence the modernisation programme and the plan to replace a large part of the port equipment immediately.

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 30	Jun. 11	Aug. 23	Sep. 4
Jun. 12	Jun. 25	Sep. 6	Sep. 18
Jun. 26	July 9	Sep. 20	Oct. 2

For rate indications see end of Share Information Service

Money was given for the call of **Scottish and Newcastle, Vickers, Burmah Oil, Northern Engineering, R. and J. Pullman, B. and Q. (Retail), National Westminster Warrants, Downs Surgical, Fundinvest Capital, Barker and Dobson, P & O Deferred, Consolidated Gold Fields, Pacific Copper, British Land, Rossgill Holdings, Tate and Lyle, Cosalt, House of Fraser, Mining Supplies, Dorrington Investment, Charterhall** and **Renwick Group.** Puts were arranged in **Marks and Spencer** and **ICI,** but no double options were reported.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979 high	1979 low
Shell Transport	25p	10	378xc	−3	402	278
Tilling (Thos.) 'New'	Nil/pd.	10	4pm	−1	7pm	4pm
Allen (E.) Balfour	25p	9	68	+5	69	50
Cons. Gold Fields	25p	9	252	−9	268	178
Grand Met.	50p	9	151	−4	180	112
NatWest Bank	£1	9	342	—	406	278
BP	£1	8	1,168	+24	1,238	882
Imperial Group	25p	8	93	+1	108	83
BATs Defd.	25p	7	270	−5	337	250
Coalite & Chem.	25p	7	82xd	+1	83	62
Courtaulds	25p	7	104xd	−1½	122	102
GEC	25p	7	403	−3	456	311
GKN	£1	7	232	—	308	226
Simon Eng. 'New'	Nil/pd.	7	25pm	−5	30pm	25pm
Ultramar	25p	7	294	+8	318	210

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
60	F.P.	11/7	91	78½	B & Q (Retail) 5p	83	−4	[illegible]	[illegible]	[illegible]	17.8
§115	F.P.	—	[illegible]	[illegible]	‡‡Baker (John)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	—	[illegible]	[illegible]	Bank Bridge 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	—	[illegible]	[illegible]	Fulcrum Inv. Income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	—	[illegible]	[illegible]	Do. Capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
20p	F.P.	11/8	21½p	18½p	How'rd Wyndh'm 9% Cnv. Cum. Red. Prf.	18½p	
100	£10	30/8	12	11¾	Portsmouth Water 8% Red. Prf. 1984	11¾	
100	F.P.	11/5	118½	108	Slough Ests. 8% Cnv. 1991-94	113	+1
98	£25	23/8	25¼	24¼	York Water 12% Deb. 1986	24½	

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −
165	F.P.	[illegible]	[illegible]	[illegible]	Beatson Clark	[illegible]	[illegible]
20	F.P.	[illegible]	[illegible]	[illegible]	Brent Chemicals	[illegible]	[illegible]
26½	Nil	[illegible]	[illegible]	[illegible]	Dawson & Metcalfe "A"	[illegible]	[illegible]
26	Nil	[illegible]	[illegible]	[illegible]	Edwards (Louis C.)	[illegible]	[illegible]
12	Nil	[illegible]	[illegible]	[illegible]	Fobel Intl.	[illegible]	[illegible]
154	Nil	[illegible]	[illegible]	[illegible]	Hampton Trust	[illegible]	[illegible]
34	F.P.	[illegible]	[illegible]	[illegible]	MEPC	[illegible]	[illegible]
85	Nil	[illegible]	[illegible]	[illegible]	Norfolk Cap. Hotels	[illegible]	[illegible]
20	Nil	[illegible]	[illegible]	[illegible]	P.-M.A. Holdings	[illegible]	[illegible]
118	F.P.	[illegible]	[illegible]	[illegible]	Provincial Laundries	[illegible]	[illegible]
115	Nil	[illegible]	[illegible]	[illegible]	Pullman (R. & J.)	[illegible]	[illegible]
265	Nil	[illegible]	[illegible]	[illegible]	Scot. Met. Prop.	[illegible]	[illegible]
20	F.P.	[illegible]	[illegible]	[illegible]	Simon Engineering	[illegible]	[illegible]
150	Nil	[illegible]	[illegible]	[illegible]	Smith (David S.)	[illegible]	[illegible]
456	F.P.	[illegible]	[illegible]	[illegible]	Smurfit Jefferson	[illegible]	[illegible]
138	Nil	[illegible]	[illegible]	[illegible]	Standard Chartered Bank	[illegible]	[illegible]
175	F.P.	[illegible]	[illegible]	[illegible]	Tilling (Thomas)	[illegible]	[illegible]
93	Nil	[illegible]	[illegible]	[illegible]	Tricentrol	[illegible]	[illegible]
20	Nil	[illegible]	[illegible]	[illegible]	Weeks Associates	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Mon., June 4, 1979: Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Fri., June 1: Index No.	Thurs., May 31: Index No.	Wed., May 30: Index No.	Tues., May 29: Index No.	Year ago (approx.): Index No.
1	CAPITAL GOODS (172)	266.01	−0.2	15.98	5.26	8.19	266.61	265.90	265.69	266.18	[illegible]
2	Building Materials (27)	249.55	−0.2	16.06	5.52	8.32	250.15	249.01	248.15	246.16	[illegible]
3	Contracting, Construction (28)	405.22	−0.3	22.08	5.34	5.70	406.62	402.38	402.39	402.34	[illegible]
4	Electricals (14)	638.49	−0.4	12.18	2.99	11.27	641.15	642.06	642.51	647.92	[illegible]
5	Engineering Contractors (12)	396.12	−0.4	18.30	6.12	7.00	397.61	397.32	396.74	396.83	[illegible]
6	Mechanical Engineering (75)	197.55	—	16.74	5.86	7.76	197.57	196.79	196.48	197.35	[illegible]
8	Metals and Metal Forming (16)	180.92	—	17.74	8.60	7.08	180.99	180.72	180.97	180.53	[illegible]
11	CONSUMER GOODS (DURABLE) (52)	246.35	—	14.22	4.43	9.31	246.47	246.17	246.23	247.87	[illegible]
12	Lt. Electronics, Radio, TV (16)	333.53	+0.1	11.07	3.19	12.73	333.06	333.84	334.05	335.05	[illegible]
13	Household Goods (12)	172.69	−1.2	16.18	6.99	8.28	174.82	173.89	173.31	172.99	[illegible]
14	Motors and Distributors (24)	128.03	−0.2	20.70	6.59	5.96	128.30	127.92	127.27	127.98	[illegible]
21	CONSUMER GOODS (NON-DURABLE) (171)	246.83	−1.0	15.12	5.45	8.54	249.23	248.29	247.23	248.26	[illegible]
22	Breweries (14)	284.52	−0.6	13.85	5.40	9.24	286.30	285.51	284.98	286.08	[illegible]
23	Wines and Spirits (6)	304.79	−0.8	15.42	4.91	9.45	307.13	308.31	307.30	309.18	[illegible]
24	Entertainment, Catering (17)	327.15	−1.8	14.54	5.87	9.15	333.14	334.52	327.31	333.00	[illegible]
25	Food Manufacturing (19)	224.89	+0.1	17.38	5.05	7.35	224.68	223.97	224.69	226.18	[illegible]
26	Food Retailing (15)	302.16	−0.5	10.96	3.98	12.08	303.60	305.02	300.84	301.13	[illegible]
32	Newspapers, Publishing (12)	455.03	−1.1	20.44	5.63	6.93	460.14	459.91	461.60	461.75	[illegible]
33	Packaging and Paper (15)	144.83	−1.0	20.13	8.02	6.35	146.23	145.13	144.65	144.06	[illegible]
34	Stores (41)	251.07	−1.3	11.21	4.05	12.02	254.50	251.97	249.75	250.87	[illegible]
35	Textiles (23)	178.09	−2.0	19.58	8.79	6.66	181.79	180.91	181.28	181.80	[illegible]
36	Tobaccos (3)	245.75	−0.9	23.15	8.37	4.96	247.87	248.74	250.83	252.29	[illegible]
37	Toys and Games (6)	76.83	−0.6	29.84	8.84	4.05	77.27	77.43	77.21	77.31	[illegible]
41	OTHER GROUPS (99)	215.21	−0.1	14.92	5.95	8.36	215.40	215.18	215.21	216.17	[illegible]
42	Chemicals (18)	303.91	+0.3	16.76	6.49	6.97	302.85	303.01	301.86	302.06	[illegible]
43	Pharmaceutical Products (7)	232.17	−0.2	11.84	4.91	10.52	232.70	233.24	233.90	238.74	[illegible]
44	Office Equipment (6)	128.01	−0.9	16.01	6.41	7.88	129.15	129.14	129.19	129.18	[illegible]
45	Shipping (10)	478.35	+0.7	9.87	6.42	13.72	474.81	472.68	474.10	470.92	[illegible]
46	Miscellaneous (58)	255.95	−0.4	15.47	5.80	8.54	256.98	256.10	256.53	257.24	[illegible]
49	INDUSTRIAL GROUP (494)	251.45	−0.5	15.22	5.44	8.46	252.72	252.05	251.54	252.44	[illegible]
51	Oils (6)	666.10	+0.7	11.84	3.29	8.98	661.58	647.42	648.64	653.70	[illegible]
59	500 SHARE INDEX	285.15	−0.3	14.64	5.07	8.54	286.01	284.34	283.95	285.17	[illegible]
61	FINANCIAL GROUP (115)	199.04	−0.6	—	5.32	—	200.20	201.88	201.99	202.22	[illegible]
62	Banks (6)	235.93	−0.6	28.23	5.14	4.58	237.25	242.24	238.74	238.08	[illegible]
63	Discount Houses (10)	248.72	+3.1	—	7.70	—	241.26	241.26	242.69	241.50	[illegible]
64	Hire Purchase (5)	188.35	−2.0	17.64	4.80	7.30	192.14	194.74	194.86	192.79	[illegible]
65	Insurance (Life) (10)	163.43	−0.7	—	6.50	—	164.58	164.92	166.57	168.11	[illegible]
66	Insurance (Composite) (8)	134.80	−0.3	—	7.00	—	135.22	137.11	137.86	139.51	[illegible]
67	Insurance Brokers (10)	293.13	−0.5	17.17	6.53	8.36	294.57	294.57	296.01	295.71	[illegible]
68	Merchant Banks (14)	100.73	−0.5	—	5.29	—	101.20	101.37	101.54	101.22	[illegible]
69	Property (42)	353.66	−1.1	3.12	2.62	49.11	357.43	356.05	358.57	357.32	[illegible]
70	Miscellaneous (10)	128.05	—	14.56	7.28	8.84	128.02	127.98	128.92	128.11	[illegible]
71	Investment Trusts (111)	221.67	−0.9	—	5.19	—	223.64	223.07	224.65	224.71	[illegible]
81	Mining Finance (4)	135.69	−2.3	14.71	5.80	8.26	138.95	138.36	138.38	140.52	[illegible]
91	Overseas Traders (20)	362.57	−0.5	14.29	6.97	8.79	364.48	363.61	364.78	363.81	[illegible]
99	ALL-SHARE INDEX (750)	260.97	−0.4	—	5.18	—	262.09	261.27	261.16	262.10	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Mon., June 4	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	104.53	−0.19	—	3.90
2	5-15 years	119.03	−0.56	—	5.31
3	Over 15 years	124.95	—	—	5.34
4	Irredeemables	131.98	—	—	6.30
5	All stocks	115.99	−0.19	—	4.31

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Mon., June 4	Fri., June 1	Year ago (approx.)
1	Low Coupons	5 years	9.91	[illegible]	[illegible]
2		15 years	10.87	[illegible]	[illegible]
3		25 years	11.12	[illegible]	[illegible]
4	Medium Coupons	5 years	11.50	[illegible]	[illegible]
5		15 years	11.96	[illegible]	[illegible]
6		25 years	12.08	[illegible]	[illegible]
7	High Coupons	5 years	11.77	[illegible]	[illegible]
8		15 years	12.22	[illegible]	[illegible]
9		25 years	12.32	[illegible]	[illegible]
10	Irredeemables		11.88	[illegible]	[illegible]

		Mon., June 4 Index No.	Yield %	Fri. June 1	Thurs. May 31	Wed. May 30	Tues. May 29	Fri. May 25	Thurs. May 24	Wed. May 23	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	60.33	12.88	60.50	60.31	60.31	60.77	60.77	61.02	61.02	[illegible]
16	Investment Trust Prefs. (15)	52.41	13.40	52.21	52.57	52.57	52.55	52.39	52.39	52.59	[illegible]
17	Coml. and Indl. Prefs. (20)	73.96	12.66	74.03	74.29	74.28	75.06	74.91	74.91	74.90	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Minster Fund Managers Ltd.

MLA Unit Trust Mngmt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers

National and Commercial

National Provident Inv. Mngrs. Ltd.

National Westminster

NEL Trust Managers Ltd.

Norwich Union Insurance Group

Pearl Trust Managers Ltd.

Pelican Units Admin. Ltd.

Perpetual Unit Trust Mngmt.

Practical Invest Co. Ltd.

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd.

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management

Rowan Unit Trust Mngt. Ltd.

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schlesinger Trust Mngrs. Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Sebag Unit Tst. Managers Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd.

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.

Target Tst. Mngrs. (Scotland) Ltd.

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs.

TSB Unit Trusts

Tyndall Managers Ltd.

Ulster Bank

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

Abbey Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assur. Co. Ltd.

City of Westminster Assur. Soc. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Assurance

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Gartmore Bonds

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

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Hambro Life Assurance Limited

Hearts of Oak Benefit Society

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Imperial Life Ass. Co. of Canada

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Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

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London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

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NPI Pensions Management Ltd.

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Rothschild Asset Management

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Save & Prosper Group

Schroder Life Group

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Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

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Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Australian Selection Fund NV

Bank of America International S.A.

Banque Bruxelles Lambert

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Barclays Unicorn International

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Butterfield Management Co. Ltd.

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Charterhouse Japhet

Clive Investments (Jersey) Ltd.

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DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

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The English Association

Eurobond Holdings N.V.

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Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

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Free World Fund Ltd.

G.T. Management Ltd.

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Hill Samuel Invest. Mgmt. Intnl.

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World Wide Growth Management

Wren Commodity Trust

NOTES

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BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1979 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
98½	94⅝	Treasury 3pc '79‡‡	98½	......	3.06	9.55
98½	95⅜	Electric 4¼pc '74-79	98⅜	......	4.32	9.52
100¼	54⅝	Treasury 10½pc '79‡‡	99⅝	......	10.53	11.09
97½	94½	Electric 3½pc '76-79	97½	......	3.59	9.28
99⅜	95⅞	Treasury 9pc 1980‡‡	98½	......	9.15	11.20
99⅜	95⅞	Treasury 9½pc '80‡‡	98⅜	......	9.66	11.30
96⅝	92¾	Treasury 3½pc '77-80	96⅝xd	......	3.62	6.95
97⅛	92⅞	Funding 5¼pc '78-80‡‡	97⅛xd	......	5.41	8.21
103⅝	99	Exchequer 13pc 1980‡‡	102	−⅛	12.72	11.20
102⅛	96	Treasury 11½pc 1981‡‡	100½	−⅛	11.44	11.12
93½	88⅞	Treasury 3½pc 1979-81	92½	......	3.77	3.05
99	92	Treasury 9¾pc 1981‡‡	97⅝	−⅛	9.99	11.17
96¼	89½	Exch. 8¼pc 1981	95⅝xd	−⅛	8.63	10.71
98¼	91¼	Exch. 9½pc 1981	96⅝	−⅛	9.83	11.29
91¼	84¼	Exch. 3pc 1981	89⅜	......	3.36	8.35
98	96	Treas. Variable '81‡‡	97¼	......	12.21	13.03
104	97	Exch. 12¾pc 1981‡‡	102	−⅛	12.39	11.35
96⅞	88	Treas 8½pc '80-82‡‡	94	−⅛	9.03	11.14
89½	82	Treasury 3pc '82‡‡	86½	......	3.47	8.71
108⅜	100⅛	Treasury 14pc '82‡‡	105⅞	−⅛	13.22	11.42
97¼	94⅜	Treas. Variable '82‡‡	96xd	......	12.60	13.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

1979 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
103¾	98¼	FFI 13pc 1981	102	+¼	12.74	11.60
107	100	Do. 14pc '79	100½	......	14.19	—
108¼	98¼	Do. 14pc '83	106	......	13.21	12.23
86½	77½	ICFC 5½pc Deb. '80-82	85½	+½	6.54	11.10
85	71½	Do. 6¼pcDb. '81-84	78½xd	+½	7.96	11.70
99	84½	Do. 10½pc Uns.Ln. '86	93xd	+¼	11.29	12.10
99	84½	Do. 11pc Uns.Ln. '88	93xd	+1	11.82	12.20
101½	84	Do. 11¾pc Uns.Ln. '90	95½xd	+⅞	12.30	12.50
72½	57	Do. 7¼pcADeb. '89-92	66½xd	+⅛	10.90	12.40
69	53½	Do. 7¼pcA Db. '91-94	66	......	11.24	12.50
81½	64½	Do.9pc'A' '91-94	79½	+½	11.69	12.40
76½	62½	Do.8⅞pcLn. '92-97	76	......	11.64	12.30

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

S.E. List Premium 21% (based on US$2.0775 per £)
Conversion factor 0.6260 (0.6263)

CANADIANS

[illegible]

S.E. List Premium 21% (based on $2.4422 per £)

BANKS AND HIRE PURCHASE

[illegible]

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

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BUILDING INDUSTRY, TIMBER AND ROADS

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DRAPERY AND STORES

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O.F.S.

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TINS

COPPER

MICELLANEOUS

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

$16¾	$10½	Buffels R1	$16¼	−¼	†Q170c	1.8	12.4
$14⅝	890c	East Drie R1	$14½	......	Q115c	1.6	9.2
715c	350c	East Rand Prp. R1	710c	−5	Q10c	—	1.7
$25⅝	$18¼	F.S. Geduld 50c	$25¼	+¼	†Q315c	2.4	14.4
$17¼	$11⅛	Pres. Brand 50c	$16½	−⅛	†Q150c	3.2	10.4
$16½	$10¼	St. Helena R1	$16⅝	+⅛	Q190c	1.4	13.3
740c	407c	Stilfontein 50c	730c	−10	Q66c	ϕ	10.4
$31¼	$13¾	Vaal Reefs 50c	$31	−¼	Q280c	2.7	10.4
$47½	$28¾	West Drie R1	$47½	+½	†Q385c	1.7	9.3
$32¼	$22¼	West Hldgs. 50c	$32¼	−⅛	†Q415c	1.4	14.8
$16½	$10⅝	Western Deep R2	$15⅞	−1	Q147½c	2.1	11.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ÷ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¢¢ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets.

IRISH

OPTIONS

3-month Call Rates

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Tuesday June 5 1979

Italy Communists face setback

BY PAUL BETTS IN ROME

EARLY RESULTS in the Italian general election appeared to show last night a setback for the Communists, the largest Communist Party in the West.

The party's fall could be between 3 and 4 per cent, according to computer projections, lowering its support in the Chamber of Deputies from 34.4 per cent in 1976 to just over 30 per cent.

This would be the first reversal for the Communists after 30 years of practically uninterrupted electoral advances. It could also be particularly significant because the party effectively brought on the premature general election by demanding direct participation in Government.

As for the Christian Democrats, computer forecasts indicated that the ruling party's performance was perhaps slightly worse than in the past four general elections.

Projections suggested a possible drop of just under one point from the 38.7 per cent the party gained in the Chamber in 1976, while there seems no relevant shift in its position in the Senate.

Though turnout at the polls, 90.1 per cent was exceptionally high by European standards, it was the lowest turnout in an Italian General Election since 1946.

This seemingly confirmed a sense of disillusionment about the country's main political parties. The voters appear to have turned again toward the smaller lay parties like the Social Democrats, the Republicans and the Liberals.

In so doing, Italians seem to have reversed the trend which emerged in the last General Election of a radical polarisation of political life between the Christian Democrats and the Communists.

The small and unconventional Left-wing Human Rights Radical Party also appeared to have made headway at the expense of the Communists. Computer forecasts did not indicate a breakthrough by the Radicals, who were expected to advance by about 2 points to around 3.3 per cent.

While the emphasis here last night was on the apparent Communist setback, the process of forming a Government, never easy in Italy, will still effectively depend on them. They have clearly not been given the popular mandate they sought for entry into Government.

Though earlier forecasts of possible major advances by the Christian Democrats have not materialised so far, the first Communist reversal in a General Election is bound to have psychological repercussions on the party.

While Communist officials were claiming last night that the party clearly had major difficulties in advancing on this occasion after its considerable gains in the last General Election, the setback is nonetheless likely to lead eventually to a challenge to the leadership of Signor Enrico Berlinguer, the party secretary.

Sig. Berlinguer has been closely identified with the party's long-cherished policy of the Compromesso Storico, or grand alliance of all democratic forces, which would have brought the communists eventually into Government, which he unveiled at the celebrated Milan Congress in March 1972.

This policy has never been fully accepted in the party's central committees.

If the final results confirm the early trends, it seems Sig. Berlinguer's critics will inevitably advance a harder "revolutionary" policy for the party. So far, the Communists have indicated that they would stay in Opposition if they were not directly included in any Government.

The question now is what approach the Communist Party intends to take should it effectively go into Opposition, or whether it is still prepared to reach a compromise with the Christian Democrats and the other parties.

Although all the smaller lay parties appeared to have advanced, the Socialists, Italy's third largest party, seemingly made little headway, remaining at around the 9.6 per cent mark of the last General Election.

The early trend suggests that there could be a return to the oil Italian governing formula of the late and charismatic Christian Democratic leader Sig. Alcide de Gasperi, which saw his party sharing government with the smaller lay parties.

A new Parliament, Italy's eighth since the war, will be convened on June 20 to elect new Presidents of the Senate an dof the Chamber of Deputies, and Sig. Giulio Andreotti will formally resign as caretaker Prime Miinster shortly afterwards.

President Sandro Pertini will then start consultations with political party leaders and ask one of them to form a Government.

This is likely to be a particularly laborious process as the Christian Democrats are keen to avoid a Communist return into Opposition, but clearly will continue to reject firmly their direct entry into Government.

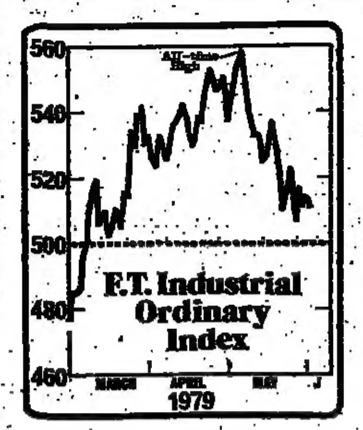
Sig. Andreotti has suggested that were it possible to find a governing formula quickly, his caretaker administration could act as a "bridge Government" until a more stable solution was found.

THE LEX COLUMN

Airways victory roll costs 3p

Next week's Budget looms, but the gilt-edged market has to cross several foothills first. Today's banking figures by all accounts are going to be bad with estimates ranging between 1 and 2 per cent growth in eligible liabilities. The authorities sold over £¾bn of gilts during the May banking month but public sector borrowing was fairly buoyant as was bank lending, apparently. However, the clearing banks' experience may not be typical of the banking community as a whole. The long awaited trade figures—now scheduled for Friday—may also test the market's nerves if they are as poor as some brokers are suggesting.

Index fell 2.6 to 510.9



Debenture Corp.

Friday's long drawn out discussions between the Airways Pension Scheme and the Debenture Corporation turn out to have been a battle over small change. The price of the Debenture Board's capitulation is around 3 per cent extra on the bid, which is better than nothing but hardly enough to distract the investment trust sector from its preoccupation with matters like a dreary Wall Street and a problematic investment currency premium. With the UK market looking soft ahead of the Budget, the improvement in the formula—from 100 to 102 per cent of net asset value as redefined to include 1.2p. a share of breakup costs—might prove less important than the introduction of a minimum price of 100p. The formula is now indicating that figure, so shareholders in the Debenture Corporation are effectively protected against any downside risks in the next few weeks.

By yesterday the Airways Scheme had collected 59 per cent of Debenture under the original bid, and could have shaken out some more holders by setting a time limit. But that would probably have still left it with less than 90 per cent, and it would have shared the plight of the Coal Board funds which have not been able to assimilate the 82 per cent owned British Investment Trust after a takeover tussle 18 months ago. A recommendation by the Debenture Board therefore had a cash value, but not enough to achieve the Board's stated target of a premium over the going concern net asset value (about 4 per cent more than is now offered).

In so far as the deal sets a precedent the going rate for pension fund takeovers of investment trusts has now been raised by about 2 per cent (the Airways deduction of breakup costs, such as compensation for the managers John Govett, was always on the mean side). Indeed, the airy calculation was being made yesterday that £200m had been added to the value of the movement. *RIP Debenture Corporation your sacrifice was not in vain.*

Aurora/EAB

To judge by the ease with which Aurora Holdings' advisers picked up 25 per cent of Edgar Allen, Balfour shares in the market yesterday morning, Aurora's £13.8m bid for EAB is virtually home and dry. Had it been willing to take its holding above the 30 per cent level at which a cash offer would have become unconditional, Aurora could probably have picked up another 10 per cent or so.

If all does go well, Aurora's tactics will look smart. There has been enough speculative money in EAB shares waiting for this very bid to enable Aurora to make a final take-it-or-leave-it offer only slightly above the market price. With no other bidder in sight it is hard not to accept.

The bid appears to make industrial sense: there should be a good fit, and economies of scale, on the special steels side, savings on distribution and warehousing and some integration in cutting tools. But Aurora will have to work hard to avoid the pitfalls that have turned other Sheffield mergers sour—the labour troubles that have dogged Edgar Allen itself since it acquired Balfour Darwins, or the overstretching that weakened Dunford and Elliott and Brown Bayley.

Aurora has a good record as an employer, and is promising no compulsory redundancies. But its balance sheet is going to be stretched again, just after the strain of the Osborn acquisition has been relieved by selling Osborn's South African side. Even treating the convertible preference shares as equity, the takeover of EAB would take Aurora's net debt to over 80 per cent of shareholders' funds—yesterday it was buying shares for cash, and EAB is a highly-geared company.

Against this Aurora claims that EAB's working capital alone could be trimmed by £4m. The present profits outlook, makes this sort of cash control indispensable. Aurora has forecast a difficult year, while EAB, though it should now be recovering, has just announced a loss; forging a new special steels business may be a worthwhile long-term project, but Aurora shareholders could be in for a bumpy ride.

Daily bargains

From today, the Financial Times will be publishing a much more reliable guide to the daily level of Stock Exchange activity than was possible under the antiquated system of counting the number of bargains marked each day. The trouble with that method is that it is not compulsory for dealers to mark every deal. The busier they become, the less inclined they are to mark each transaction. These days, the figure for bargains marked probably represents less than 30 per cent of total deals.

As from yesterday, however, the Stock Exchange is compiling each afternoon a figure for the total number of bargains in all securities—gilts and equities—transacted up to 3.30. From that, it will be possible to get a very rough idea of the total value of the day's business. With the gilt-edged market asleep, the average bargain recently has been something like £25,000. Yesterday's total was 16,077, and conditions were pretty slack.

This is probably about as far as the Stock Exchange is likely to go in terms of volume reporting. Any move towards a ticker system, U.S. style, would be hotly opposed by the jobbers on the grounds that it would give their customers a chance to work out their positions in particular securities.

Aurora bids for Edgar Allen Balfour

By Christine Moir

AURORA HOLDINGS, the fast-growing Sheffield specialist engineering group, has bid for another Sheffield special steels company just a year after its successful takeover of Samuel Osborn.

Yesterday it announced a £13.8m surprise bid for Edgar Allen Balfour after a lightning raid in the stockmarket which left Aurora with just under 30 per cent of the shares.

N. M. Rothschild, Aurora's advisers, are underwriting a 69.55p cash offer for each Balfour share and this is to be sub-underwritten by seven institutions.

There is also a share alternative of 50 8¼ per cent convertible cumulative redeemable £1 preference shares plus 23 ordinary shares in Aurora for every 100 Balfour shares. On yesterday's closing price for Aurora—down 3p to 87p—this is worth 70p per share if the preference shares are valued at par.

Mr. Robert Atkinson, chairman of Aurora, claims significant industrial logic for the bid. The tool, valve, high speed and stainless steel bar sector of the UK special steels industry is fragmented and this has permitted importers to grab 40 per cent of the market, he says.

Between them, Osborn and Balfour, which have complementary and overlapping strengths in the sector, could produce sufficient volume and rationalisation to justify investment in large scale plant and this could offset the advantages of the big European importers.

Balfour's directors have yet to reply, beyond warning shareholders to take no action while they consider their position but yesterday the shares moved up 5p to 68p.

Details, Page 22

Banks reluctant to aid Egypt

BY JOHN EVANS

MANY WESTERN commercial banks appear reluctant to provide alternative sources of finance for Egypt because they fear possible retaliation by Arab oil exporting nations.

Egypt, after signing the peace treaty with Israel, has been subject to an economic and political boycott by the Arab world which cut off new aid from the oil-exporters.

Several Arab banks, led by the Paris-based Al-Ubaf group, have already dropped recent plans to mount a $250m Eurocurrency market financing for the Central Bank of Egypt.

Egypt now wants to revive the transaction on the basis of a smaller $100m loan for Egypt-Air, the State airline.

But the concern of Western bankers has been intensified by the recent surge in oil prices, which promises to increase substantially the disposable surplus revenues of the OPEC countries and thus the funds they can inject into the Western banking system.

The Cairo Government, since it was cut off from Arab sources of aid, has clearly become much more dependent on Western financial help, both from Governments and commercial banks.

Nevertheless, banks also have doubts about Egypt's basic creditworthiness, and recall that the country has in the past found it difficult to obtain commercial sources of finance.

Various alternatives are said to be available for raising $100m credit, including a bigger role by the U.S. Export-Import Bank, which would reduce the amount of commercial banking financing necessary. The funds will be used to buy U.S. civil aircraft.

Some banks are also reluctant to go ahead with this loan while the status of an outstanding $250m credit for Egypt raised in 1977 is in doubt.

This loan was specially guaranteed by the Gulf Organisation for the Development of Egypt, the institution formed by Saudi Arabia, Kuwait, and UAE and Qatar to support the Egyptian economy.

In the wake of the boycott, the organisation froze its financial support for projects in Egypt. According to Arab Press reports, it stated that it was under no obligation to make any payments related to the projects.

Arab states are pressing ahead with plans to disband the Arab Organisation for Industrialisation, the Egyption armaments manufacturing concern. Some bankers feer the Gulf Organisation may similarly fall victim, if Arab-Egyptian relations continue to deteriorate.

Capital spending rise forecast

BY DAVID FREUD

CAPITAL SPENDING by manufacturing industry should increase this year in spite of a decline in the first quarter, according to the latest Department of Industry intentions survey published yesterday.

The survey finds that investment is likely to increase by between 2 and 5 per cent this year, slightly less than the 4 to 8 per cent figure in the survey released at the beginning of the year.

Nevertheless, after leasing is taken into account, the predicted out-turn for 1979 is still nearly 5 per cent above the outcome in 1970 — which was the peak year for capital spending attributed to manufacturing industry.

However, this fairly buoyant outlook may have to be modified in the light of the recent round of oil price rises.

The survey was released at the end of March and most of the returns were made in April, before the latest oil price rises emerged. These are likely to have a depressing effect on capital spending plans.

This could mean that the necessary rapid catch-up after the first-quarter drop of 4 per cent below the investment level of the previous three months may not emerge with such force.

The Department of Industry estimates that investment in April-June would have to total £1bn in 1975 prices—5.5 per cent above the first-quarter level—for the intentions survey to be borne out, followed by rises of 2 per cent in each of the subsequent quarters.

This would bring investment up to about £4bn for the year, plus another £400m-£450m on leased items which are classified to the service sector on the basis of the ownership of the assets.

In current prices the 1979 investment would total about £6.75bn, or roughly £7.4bn when leasing is taken into account.

Whether or not this total is achieved, the Department forecasts that the outlook for 1980 is for a slight fall, in line with previous experience which has never seen an investment rise for more than three consecutive years.

The picture is more buoyant for distributive and service industries, which are forecast to see investment growth of between 5 and 7 per cent in the current year—above the earlier survey prediction of 3 to 7 per cent.

This would bring investment in this sector up to the all-time high of £4.96bn in 1975 prices, or about £7.75bn in current prices.

The survey forecasts a further increase in this sector next year, possibly also in the 5 to 7 per cent range.

INDUSTRY'S CAPITAL INVESTMENT
(£m at 1975 prices)

	Manufacturing	Distribution and services (excluding shipping)
1970	4,196	3,669
1971	3,923	3,888
1972	3,398	4,055
1973	3,504	4,674
1974	3,822	4,605
1975	3,522	3,841
1976	3,345	3,926
1977	3,573	4,325
1978	3,856	4,677
1979	4,000*	4,960*

* Estimates
Source: Department of Industry

Late drive to boost Labour poll turnout

By Richard Evans, Lobby Editor

AN ELEVENTH hour attempt is being launched by Mr. James Callaghan today to attract a reasonable Labour turnout in Thursday's direct elections to the European Parliament and to stave off what could be a humiliating defeat at the hands of the Conservatives.

In a message to all Labour candidates, the former Prime Minister argues that a Tory Government at Westminster makes it all the more important for Labour to be well represented in the European Parliament: only Labour members in the new assembly would faithfully represent the views of the British people.

In spite of the plea, echoed in a Labour Party television broadcast last night, party managers remain apprehensive that Labour could win fewer than 20 of the 78 English, Scottish and Welsh seats when the votes are counted on Sunday night. The Conservatives are expected to win all the rest.

Mr. Callaghan argues that unlike the Tories, a Labour delegation at Strasbourg would not be isolated but would join the Socialist Group—likely to be the largest—and would thus be able to rally support for key reforms throughout the Community.

In the party's broadcast Mr. Callaghan said it was important both for Britain and for Europe that there should be strong Labour representation. The powers of the new Assembly would be very limited but members would have great influence in the next few years in shaping public opinion.

Mr. Anthony Wedgwood Benn, one of Labour's most vocal anti-Marketeers, said in a BBC Radio phone-in programme yesterday that the election of Labour candidates would provide the biggest possible warning to the Community and to those who were trying to establish it as a federation that the British people wanted a different sort of Europe. In his view, this was what the election was all about.

It was the first election in history demanded by the people in power and not by the electors. This was because the European Commission "wanted a sort of fan club to support their own demands for greater federal control."

The choice facing the country was to vote either for progress towards a federal Europe with Britain as an offshore province, or for a wider, looser Europe of self-governing states, which the Labour Party favoured.

Mr. Benn denied more than once that he or the Labour Party was advocating withdrawal.

European Election News Page 2

Sealink fares to increase

THE SEALINK ferry service has announced fare increases on some of its Northern Ireland and Isle of Wight routes and vehicle surcharges on some of its Southern Irish routes.

The company said the increases were necessary because of "sharp rises" in operating costs. They will come into effect during the period June 29 to July 15.

Coffee prices up

BY RICHARD MOONEY

COFFEE PRICES climbed to their highest levels for a year on the London market yesterday in the face of gloomy Brazilian crop reports after last week's frost.

The September delivery quotation rose £109.5 to £1,858 a tonne taking the rise in the past week to £350.

Brazilian estimates put the frost damage at 8.5m bags of 60 kilos each but in London traders doubted that the damage exceeded 6m bags.

The worst losses are in the state of Minas Gerais

Commodities, Page 31

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British Rail cuts

the British National Oil Corporation to raise their prices.

The increases have been caused by the sharp rise in prices charges by the African members of the Organisation of Petroleum Exporting Countries to which North Sea prices are unofficially linked.

The Flotta blend produced from the Piper and Claymore fields has risen by $2.45 to $20.00-$20.10 a barrel. BP's Forties crude has risen to $20.75 a barrel, a rise of 48 per cent since the end of last year.

The Brent system blend of Thistle and Dunlin Field crudes has risen to $20.70-$20.75 a barrel, while the Ninian blend from the Ninian and Heather fields is priced at about $20.50 a barrel.

Continued from Page 1

Reserves

lished on Friday, it was announced yesterday.

The Department of Trade publishes the current account figures for February, March and April, while Central Statistical Office figures on the first-quarter balance of payments, covering the capital account, are released at the same time.

Trade figures for May, due out on June 14, will be released on June 19, while the survey of export prospects comes out seven days late, on June 14.

Asian dollar market tops $30bn level

TOTAL ASSETS of the Asian dollar market exceeded $30bn for the first time in April, rising by $217.1m to $30.07bn, Reuter reports from Singapore.

This followed a $2.04bn rise to $29.86bn in March.

The slower growth last month reflected the winding-down of window-dressing positions of the previous month, the Monetary Authority of Singapore (MAS) said in its latest monthly bulletin.

Total assets at the end of April, 1978, amounted to $21.82bn, MAS said.

Lending to non-bank customers picked up despite the firmer U.S. dollar, rising to $6.93bn in April

Strong dollar allows U.S. to repay debt

BY DAVID LASCELLES IN NEW YORK

THE U.S. dollar's new-found strength enabled the U.S. to cut its market intervention dramatically and repay all its swap debt in the February-April quarter, the Federal Reserve Bank of New York reported last night.

According to its latest quarterly report, the Fed and the Treasury between them repaid $6.13bn in foreign currencies during the period, $4.97bn of it to West Germany and $1.16bn to Switzerland. Part of the payment to Switzerland eliminated debts incurred before 1971, and means that the U.S. is free of swap debts for the first time since mid-1969, the New York Fed said.

These repayments were financed through purchases from the market and other banks as the dollar strengthened against other currencies.

The quarterly report also shows a sharp reduction in the need to prop up the dollar. The Fed's sales of D-marks, Swiss francs and yen totalled only $656m compared to $2.5bn in the August-October quarter of 1978, and a record $6.7bn in the quarter after that when the dollar crisis was at its height.

These sales had been made early in the quarter, the report said.

"During the quarter the dollar came into increasingly heavy demand, reflecting growing confidence in the U.S. and foreign government's efforts to correct what had become an excessive decline in the dollar."

In the period under review, the dollar advanced 1 per cent against the mark and Swiss franc, and 10 per cent against the yen.

Overall, gross market intervention in the quarter by major central banks totalled a record $38bn, the Fed calculated, compared with a previous record of $331bn in the last quarter of 1978.

Weather

UK TODAY

THUNDERY RAIN. Some sunshine.

London, S.E., Cent. S., E. England
Cloudy. Thundery showers. Max. 21C (70F).

Midlands, N.W., N.E. England, Lakes
Cloudy. Thundery rain. Max. 19C (66F).

Channel Isles, S.W. England, Wales
Sunny. Scattered showers. Max. 19C (66F).

Isle of Man, S.W., N.W. Scotland, N. Ireland
Rain. Drier later. Max. 17C

Shetland
Dry. Rain later. Max 16C

Rest of Scotland
Cloudy. Rain. Max. 17C

Outlook: Thundery rain. Brighter periods.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	27	81	Los Ang	C	21	70
Algiers	C	25	77	Luxbg.	S	25	77
Amsdm.	F	24	75	Luxor	S	37	99
Athens	S	27	81	Madrid	F	28	82
Bahrain	S	34	97	Majorca	S	25	77
Barclna.	S	24	75	Malaga	S	24	75
Beirut	F	25	77	Malta	S	29	84
Belfast	C	16	61	Mchstr.	C	21	70
Belgrd.	S	28	82	Melbne.	C	14	57
Berlin	S	28	82	Mex. C.	C	25	77
Biarritz	R	15	59	Milan	S	30	86
Bmghm.	F	20	68	M'ntreal	F	25	77
Blackp'l	C	15	59	Moscow	C	14	57
Bordx.	F	20	68	Munich	S	27	81
Boulgn.	R	13	55	Nairobi	R	23	74
Bristol	R	15	59	Naples	S	29	84
Brussels	F	23	73	Nwcstl.	C	14	57
Budpst.	F	30	86	N. York	C	19	66
B. Aires	S	19	66	Nice	S	29	84
Cairo	C	32	90	Nicosia	F	28	82
Cardiff	F	14	57	Oporto	S	20	68
Cas'b'ca	F	20	68	Oslo	S	22	72
Cape T.	S	17	63	Paris	C	19	66
Chicago	F	30	86	Perth	F	16	61
Cologne	F	29	84	Prague	S	28	82
Cpnhgn.	S	20	68	Reykjvk.	F	12	54
Corfu	S	29	84	Rhodes	C	25	77
Dublin	C	16	61	Rio J'o	C	27	81
Dbrvnk.	S	28	82	Rome	F	28	82
Ednbgh.	F	12	54	Salzb'rg	S	29	84
Faro	F	23	73	S. Fr'cisco	F	15	60
Frankft	S	28	82	Singapr.	C	31	88
Funchal	S	22	72	Stckhm.	S	22	72
Geneva	F	18	64	Strasb'g	S	27	81
Gibrltr	S	25	77	Sydney	F	19	66
Glasgow	C	15	59	Tangier	S	[illegible]	[illegible]
G'nsey	C	13	55	Tehran	F	31	88
Helsinki	S	21	70	Tel Aviv	C	25	77
H. Kong	F	29	84	Tenerife	S	19	66
Innsbr'k	S	27	81	Tokyo	F	26	79
Invrnss	R	14	57	Toronto	F	25	77
Istanbul	S	24	75	Tunis	S	27	81
Jersey	C	13	55	Valencia	S	26	79
Jo'burg	C	18	64	Venice	S	30	86
L. Plms	S	22	72	Vienna	F	30	86
Lisbon	S	22	72	Warsaw	S	25	77
Locarno	F	25	77	Zurich	S	26	79
London	C	21	70				

C—Cloudy. F—Fair. R—Rain. S—Sunny

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